

# The NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

December 19, 1958

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## NAIC Defers M-1 Report; Studies Promotional Aspects Of Insurers

By JOHN C. BURRIDGE

NEW ORLEANS—National Assn. of Insurance Commissioners had a nice word on hand for its Christmas convention here. This being the semi-annual meeting, and about a third of membership suddenly unemployed as a result of the November elections, apparently seemed best to most to use themselves from taking action anything for another six months. Nevertheless, the program called for meetings of one kind or another from 8 a.m. Monday to 4 p.m. Thursday, and conscientious registrant could engage himself in official NAIC proceedings all day long for four consecutive days. Not many took advantage of this opportunity.

The hottest item on the agenda, the so-called M-1 subcommittee report, will cool off for at least six more months. It was decided to defer action on this matter until the June meeting. The report involved is the highly controversial recommendation of the subcommittee on statistical, rating and

filing problems of multiple line contracts. The subcommittee which wrote the report, consisting as it turned out, of three lame ducks, could not muster two votes to go either for or against its own creation: meaning that this issue in June will come under review of three brand new commissioners, who in turn undoubtedly will want six additional months to review it.

Failure of this subcommittee to bill its report or pass it along to the rates and rating organization committee deprived the New Orleans meeting of its big burning issue on the very first day. Nothing else on the agenda is of great consequence to the fire and casualty people, and no one expected before the convention that NAIC at

this post election session would do much.

It should be noted, however, that at the early subcommittee meetings there was a good attendance, and few of the chairmen dispatched the business in the 60 to 90 seconds that the matters under consideration were worth. For a change, the subcommittee sessions dragged on through to the bitter end of whatever agenda there was. Perhaps knowing nothing was to come of it all influenced the commissioners to make a show of activity.

Although nothing definite came of the meeting, the subcommittee on organization ownership and certification of insurance companies did reflect the concern of the commissioners over the promotional aspects of some insurers. Parker of Virginia presided and reported the subcommittee has held two meetings without arriving at any concrete suggestions as to how to change or enact laws to keep out undesirable companies.

Two recent developments, Mr. (CONTINUED ON PAGE 12)

## Leslie Gives Premo Facts On Auto Rates

In an unusual action, Commissioner Premo of Connecticut publicly announced a filing by National Bureau that would increase automobile liability rates an average of 19.3% and one by National Automobile Underwriters Assn. that would lower physical damage rates by 3%. Mr. Premo said that at "first glance" the proposed liability increase appears to be excessive and not in the public interest.

Mr. Premo took exception to the wide variation of rates for different areas and said it was incongruous to assess a premium on the ground that an insured car is garaged in a particular city or town without regard to where it is used. The proposed liability rate increases range up to 34.7% in Hartford and 29.9% in Fairfield county, but are less in other areas. Mr. Premo also declared that the present rating method is fantastic, confusing and discriminatory because it penalizes the careful driver and allows the accident prone operator to evade responsibility or to pay less than his fair share of the premiums.

In a statement commenting on Mr. Premo's charges, William A. Leslie Jr., general manager National Bureau, said (CONTINUED ON PAGE 35)

## Two Firms Forming Excess & Casualty Reinsurance Assn.

Excess Reinsurance Assn. and Casualty Reinsurance Assn. of America are being combined into Excess & Casualty Reinsurance Assn., effective Dec. 31. It will be the largest and strongest American association for multiple line reinsurance.

Excess & Treaty Management Corp. will serve as underwriting manager of the new association. This corporation and its predecessors have acted as underwriting managers for the two associations since their inception.

One of the purposes for combining the associations is to facilitate the writing of multiple line reinsurance and to increase the capacity of the American reinsurance market. The new association will continue to write (CONTINUED ON PAGE 35)

## Marketing, Building Image Of Business Current IAC Aims

### Leaders Of Trade Groups At Midyear Meet; Formal Program Is Outstanding

By JOHN N. COSGROVE

NEW YORK—The successful efforts of the hard core of Insurance Advertising Conference faithful to assemble one of the best programs in the history of the organization were poorly repaid by a sparse attendance at the midyear meeting in New York. Absentee members missed out on hard hitting speeches and discussions which might have advanced their ambition to gain further recognition from their managements. Management itself could have profited by sitting in at this meeting and gaining an insight into the planning and perspective of the ad men on whom they will increasingly come to depend as competition grows even more intense.

### Institute Backing Implied

Industry wide backing of a single Insurance Information Institute for the stock agency companies was implied by the presence of leaders from every segment of the business at the banquet when Roland H. Lange, vice-president and assistant to the president of Hartford Fire, touched on plans for this project. The significant talk by Mr. Lange, who is also chairman of National Board's public relations committee, was reported in the last issue of THE NATIONAL UNDERWRITER. On the dais as he spoke were Lewis A. Vincent, general manager of National Board, J. Dewey Dorsett, general manager of Assn. of Casualty & Surety Companies, John F. Neville, secretary of American Insurance Assn., William Leslie Jr., general manager of National Bureau, James Williams, vice-president of Health Insurance Assn., and David Porter, educational director of Surety Assn. of America, representing Warren Gaffney, general manager, who was ill and unable to attend. Harold L. Wayne, general manager of Inland Marine Insurance Bureau was also unable to attend because of illness in the family.

### Higher Goals For IAC

W. W. Clement of American International Underwriters, president of IAC, set the tone of the meeting in his welcoming remarks. He said that the organization is keeping talented advertising men and women reminded that their very best effort is not too high a standard in view of the need the business has for their special skills and craftsmanship. He emphasized that one of the purposes of IAC is to promote general good will toward insurance as an institution and declared that members have not been encouraged by their superiors to engage in promotion of public under- (CONTINUED ON PAGE 30)

## Hail Adjustment Research Assn. Elects H. W. Wyant

W. Wyant, Great American, was elected president of Hail Insurance Adjustment & Research Assn. at the annual meeting last week in Chicago. He succeeds M. E. Aegerter of Home. The other officers are: Vice-president, R. E. Hainline, Hartford Fire; secretary-treasurer, H. J. Clough, Crop Insurance group, and assistant secretary, Kenneth S. Ogilvie, Western Underwriters Assn.

### Issues Presidential Report

In his presidential report, Mr. Aegerter commented on the improved experience of the hail underwriters as satisfying, saying it can be attributed part to better rate structures, but at least equally important are improved adjusting procedures.

Stressing the importance of correct loss handling, Mr. Aegerter said a safe estimate of expected loss is one loss every four or five policies sold.

### Will Continue Research

The association will continue its research projects, the largest item on the budget, with experiments at state agricultural schools and stations of simulated hail damage to potatoes, green snap beans, tomatoes, pinto beans, onions, winter and spring wheat, sugar beets, and grain sorghums.

The association, Mr. Aegerter stated, is in a never-ending quest to find new and improved methods of loss adjusting.



"YOU MEAN LIABILITY PAYMENTS CONTINUE TO EXCEED PREMIUM INCOME?—GOOD HEAVENS, MAN—HOW DO YOU MANAGE TO HANG ON?"

## Predicts Cal. Agents Will Lose Suit, Sees Business In Era Of Basic Change

The California agents must and will lose the anti-trust suit against their companies over commission reductions if they precipitate it, Bert W. Levit of the San Francisco law firm of Long & Levit told Society of Insurance Brokers at a meeting in San Francisco.

Mr. Levit is general counsel of Pacific Board and Pacific Fire Rating Bureau, and has just been appointed California director of finance, the highest paid and most important appointive job in the state administration. He assumes office Jan. 5 and will take a six months' leave of absence from Long & Levit.

However, Mr. Levit indicated that his remarks to the brokers expressed his personal views.

He not only predicted that the agents will lose their suit, but also

dealt with other aspects of the business which have given those in it most concern in recent times. He predicted that the present era of transition in the business would last another 10 years; that insurance cannot achieve an exclusive state regulatory pattern no matter how state laws are modified so long as public law 15 remains on the books in its present form; that the present multiplicity and variety of coverages may lead to restrictive leg-

islation; and that if rating bureaus are to survive a way must be found to compel companies that want and need bureau services on a partial basis to pay their share of bureau costs.

As to agents and their threatened anti-trust suit against the insurers, Mr. Levit said the question of the reasonableness of the commission rates under attack is not and cannot be placed in issue in the contemplated suit; hence, it must be assumed that both premium and commission rates are essentially within the area of reasonableness. No element of boycott, coercion, or intimidation is involved; hence, the federal anti-trust laws will not be applicable.

There is, he said, a vast difference between a combination to fix prices that are charged to the general pub-

(CONTINUED ON PAGE 28)

## Oliver Promoted To Assistant Manager In U.S. By Zurich

Fred H. Oliver, secretary of Zurich, has been promoted to assistant U. S. manager of Zurich and vice-president and secretary of Zurich Life and American Guarantee & Liability, effective Jan. 1.



Fred H. Oliver

In his new position he will continue to supervise branch office operations and also direct the new sales and marketing department.

Mr. Oliver joined the Zurich head office staff in Chicago as a field assistant in 1946. In 1951 he became agency supervisor for Michigan and in 1953 was transferred to Grand Rapids to open and manage a new office there. He was made manager of the Detroit branch in 1956 and returned to the head office in 1957 as secretary in charge of the agency department.

## See Magnusson In Line For Minn. Commissioner

ST. PAUL—Cyrus E. Magnusson, executive secretary to Gov. Freeman, is reported to have the inside track for appointment as Minnesota commissioner when Commissioner Sheehan's term expires.

Mr. Magnusson, 54, formerly was in the insurance business at Two Harbors where he also served as mayor.

## North America Appoints Two At New Orleans

North America has appointed Charles A. Schaub Jr. and William L. Wilhoit assistant managers of New Orleans service office. Both men were previously special agents reporting there.

Mr. Schaub will handle administrative and production duties in New Orleans, while Mr. Wilhoit will continue to make his headquarters in Jackson, Miss., and supervise the company's business in that state.

Mr. Schaub was with Los Angeles Rating and Fire Prevention Bureau from 1948 until joining the company as special agent in 1951. Mr. Wilhoit joined the company in 1948 as special agent at Washington, D. C. He later held that position in Nashville before going to Jackson.

## Albert Wohlgemuth Retiring As Head Of Rough Notes Co.

Albert J. Wohlgemuth, active head of the Rough Notes Co., Indianapolis insurance publishers, for the past 20 years and president for the past 20, has announced his retirement effective Dec. 31.

The Rough Notes Co. was founded in 1878 by Dr. Henry C. Martin, and became one of the leading insurance publishing houses and headquarters for insurance office systems and supplies. Dr. Martin died in 1916 at the age of 84, and during the last years of his life the company failed greatly.

Following his death, the Rough Notes Co. was purchased early in 1917 by E. Jay Wohlgemuth, founder of the National Underwriter Co., and his brother, Albert J. Wohlgemuth, took over as general manager. Albert Wohlgemuth had graduated from the University of Michigan in 1911 and had been with the National Underwriter Co. in Cincinnati, New York and Chicago since his graduation.

### Covered All Lines

Rough Notes was a well-known insurance newspaper, covering all lines of the business. The first step under the new management was to convert into two educational monthly insurance magazines. The name Rough Notes was continued in the magazine devoted to the fire and casualty business; the life insurance magazine was named the Insurance Salesman. Both magazines now have the largest paid circulation in their fields as verified by the Audit Bureau of Circulations.

The company's slogan has always been, "Everything for the Insurance Man," and a large part of its business has been in the field of insurance agency office records and supplies of all kinds. This department was also expanded greatly under the new management. The development of the "1-2-3-4 System of Short-Cuts" for insurance agencies during the early 1920s has been one of the most important factors in the company's growth. It is estimated that one out of every four property and casualty insurance policies billed in the U. S. today is billed on a Rough Notes form.

The company also publishes a great many books on various phases of insurance.

In 1925, a pictorial advertising division was added to the company. It pioneered in the development of visual sales and visual sales promotions.

(CONTINUED ON PAGE 25)

## Higher Auto Rates Filed In Fla. Have Not Been Approved

THE NATIONAL UNDERWRITER, in its Dec. 12 issue incorrectly stated that Florida had approved substantially increased auto liability rates. The rates have been filed by National Bureau of Casualty Underwriters but have not been approved.

Florida Assn. of Insurance Agents has recommended approval of the filing, though it voiced opposition to the principle of the reduction in production cost allowance from 25 to 20%. Agents point out the urgent need of the increase by companies, it has been nearly 18 months since bureau companies had rate relief, and without an increase more companies will pull out of the state.

The association in a bulletin to members stated that a 25% increase in rate would offset a commission reduction from 25 to 20%.

However, the association has asked the Florida department to disapprove a filing by National Automobile Underwriters Assn. which would produce a PHD rate reduction of .98%. This is based on a reduction in production cost allowance from 25 to 20%. The agent's bulletin states that even on this basis only a .49% reduction was indicated.

American Title & Ins. Co. has been licensed in New York state, which also qualifies the company's stock to be traded there.

New officers shown at the election night meeting of Casualty Adjusters Assn. of Chicago, from left, Walter P. Strobel of Strobel & Ingalls, vice-president; Elmer W. Voigt, Fidelity & Casualty, president, and Robert T. Luce, Casualty Mutual, reelected secretary - treasurer.



## Takes Issue With Prediction Agents Will Lose Cal. Suit

William J. Hobbin of Stockton, president of California Assn. of Insurance Agents, has issued a statement challenging the observations of Bert W. Levit, in a talk to Society of Insurance Brokers of San Francisco, that the agents will lose their anti-trust suit against the companies over reduced commissions, if they ever file it. Mr. Levit is a member of the San Francisco law firm of Long & Levit.

Mr. Hobbin said that since Mr. Levit represents some of the companies charged with having acted in concert in fixing the rates of commissions to agents, his views cannot be unprejudiced or disinterested.

He added that the agents do not believe insurance companies are free to ignore the federal anti-trust laws by agreeing in private on rates of commissions paid their agents.

### Says Analogy Not Valid

Mr. Hobbin does not think the analogy is valid that was drawn by Mr. Levit between anti-trust immunities of labor unions under collective bargaining and private individual contract negotiations between independent agents and insurers. "The right of insurers to act collectively in rate making cannot be extended to include a right to fix rates of commissions payable to independent agents and brokers in a concerted action by insurance companies," Mr. Hobbin declared.

### Denies Concerted Action

If the insurers now contend that they have the right to act in concert in fixing commission rates, the issue should be settled by the courts, Mr. Hobbin believes. However, he charges, up to this point the companies steadfastly have denied that they acted in concert in fixing commission rates. If companies can conspire to fix compensation of agents by designating a lower percentage, they would have the right to continue reducing the commission and ultimately eliminate it entirely.



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## Tenn. Suspends Auto Rate Rise, Calls For Hearing

Commissioner Arch E. Northington of Tennessee has suspended his approval of automobile rate increases, which were approved to become effective Dec. 17, and has called a hearing for Dec. 22 in Nashville. The suspension, which, under the law, is effective for 30 days, and the hearing came as a result of protests by officials of Nashville and other Tennessee cities and by two state senators.

The increases were, for National Bureau of Casualty Underwriters, 23.7% on private passenger car liability, 22.4% on commercial cars, and 25% for division 1 garages. National Automobile Underwriters Assn. had asked and Mr. Northington had approved a \$2 to \$6 increase in comprehensive, with other increases and decreases that resulted in an over-all increase of 4%. The reduction in production cost allowance from 25 to 20% was also approved by Mr. Northington.

## Buckley Of Sun Retiring

Thomas G. Buckley, assistant secretary in charge of Sun's burglary, forgery and plate glass department, is retiring after 35 years with the company. He began in 1913 with Hartford Accident, and was with National Surety and U.S.F.&G. before joining Sun.

He is a past president of Burglary & Plate Glass Underwriters Assn. of New York.

## Uphold Allstate's Right To Write N.Y. Dwelling Business At 15% Off Manual

The appellate division of the New York supreme court has handed down its decision in connection with the appeal of Allstate's 15% reduction on dwelling fire rates. The court held that New York Fire Insurance Rating Organization and the intervening insurers are aggrieved parties and as such have the right to question whether a filing by an independent company does or does not comply with the standards of the rating article of the insurance law and to appeal to the courts for a judicial review of any adverse decision.

However, the appellate division in its decision, and without opinion, confirmed the decision of the insurance department, granting to Allstate a 15% reduction for dwelling class business. NYFIRO and the petitioning companies having been held to be aggrieved parties and entitled to judicial review will now move to be heard by the court of appeals, the highest court of New York, on the contention that the dwelling class rates of Allstate, approved in the decision of the insurance superintendent are in violation of the insurance law of the state.

In the appeal, the attorney general of New York contended that the only organization or company entitled to judicial review is the rating organization or company, the revision of whose rates is under consideration, and that NYFIRO and the insurance companies have no standing to maintain a judicial review in connection with a filing made by an independent com-

pany. Allstate made contentions similar to those of the attorney general.

In holding that NYFIRO and insurers are aggrieved persons and have a right to judicial review of an independent filing, the appellate division made the first judicial decision on this important question.

### Had Filed Cross Appeal

Allstate had filed a cross appeal from the decision of the superintendent of insurance in which it contended that it was entitled to a 20% reduction in rate in place of the 15% provided for by the decision of the department. Allstate requested permission to withdraw this appeal, and the appellate division granted the request.

In connection with the appeal, the department was represented by the attorney general; Allstate by Proskauer, Rose, Goetz & Mendelsohn, and NYFIRO and petitioning companies by Powers Kaplan & Berger and Charles P. Butler, counsel.

## Set Pa. Fire Hearing

Commissioner Smith of Pennsylvania will hold a public hearing in connection with proposed revisions of fire rates at Philadelphia Jan. 5. Hearings will be held later in Pittsburgh.

Middle Department Assn. of Fire Underwriters filed the rate revisions which are relatively minor in their over-all effect but reflect substantial increases in certain areas. Philadelphia and Pittsburgh city officials formally protested the proposed changes.

## Mark Kroll Not President Of Pan American Casualty

A transmission error was responsible for an incorrect statement in the Dec. 5 edition that Mark Kroll, who in addition to his other insurance interests now heads a new life company in Ohio, was president of Pan American Casualty. Mr. Kroll's company should have been given as Pan American Surety of West Palm Beach, Fla.

Pan American Fire & Casualty and Pan American Ins. Co., are owned by the Gammage interests in Houston, Tex., Earl W. Gammage, being president of these two companies.

## EAC, Buffalo I-Day Set

Eastern Agents Conference at its annual meeting April 5-7 at the Statler-Hilton Hotel in Buffalo will stress the importance of the independent agent in relationship to the insuring public, the companies he represents and the free enterprise system of doing business.

Charles H. Frankenbach Sr., of Westfield, N. J., is chairman of the EAC conference. C. Morgan Epes Jr., vice-president of the Armstrong-Roth-Cady agency of Buffalo, is general convention chairman. Mrs. Mary Ellen McIntee, executive secretary of Greater Buffalo association, is secretary-treasurer of the convention committee.

April 7 is Buffalo I-Day with Ray C. Biondolillo, Buffalo agent, as chairman. The EAC convention opens Sunday, April 5, with a buffet supper, and concludes Tuesday evening with a banquet and dance, with business sessions Monday and Tuesday.

## Ore., Wash. Assns. Reject UM Program Of Industry Group

The Oregon and Washington agents' associations have adopted a statement rejecting the program of American Mutual Insurance Alliance, National Assn. of Independent Insurers and the Assn. of Casualty & Surety Companies which was offered recently to meet the problem of the uninsured motorists.

Specifically, the two northwest state associations aimed their criticism at the approach of the three national associations to the UM problem. Both Oregon Assn. of Insurance Agents and Washington Assn. of Insurance Agents have recommended that the three national associations follow the plan recently adopted by a number of independent insurers in the two northwest states under which UM coverage is automatically included in the policy without separate charge. A number of the leading independents have increased the BI premium by \$1 or \$2, depending upon territory, and have included the UM coverage in all policies.

### Delivers An Ultimatum

The Oregon association went a step further than the Washington agents' organization and has delivered an ultimatum to the effect that if all the companies licensed in Oregon do not include UM coverage in their policies they will tender their cooperation to Gov.-elect Hatfield in working for a statutory requirement similar to that in effect in New Hampshire. The new governor advocated compulsory UM in his successful campaign against incumbent Gov. Holmes, who favored compulsory.

The Washington association, while adopting the same statement as the Oregon association, implemented its statement with a resolution calling upon all of the companies to reconsider their previous action and also calling upon Commissioner Sullivan to use his "good offices" to bring about inclusion of UM in all auto policies written by insurers licensed in that state.

The statement adopted by the two associations said in part:

"... There are several reasons why the committee's (industry advisory committee) proposal will, in effect, provide no solution. First, it is recommended to the member com-

(CONTINUED ON PAGE 28)



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## Analyzes The Agent's Function In Community

Independent Insurance Agents' Assn. of Montgomery-Prince George Counties (Md.) at its annual banquet at Silver Spring elected William Martin, Gray & Martin agency, Silver Spring, president; Joseph A. Schwartz Jr., Perry Boswell Co., Mt. Rainier, vice-president; Joseph F. Hagan, Rockville, treasurer; William F. Wolfe Jr., McFarlin agency, Riverdale, secretary; and Dorothy J. Cole, Takoma Park, executive secretary.

Craig Thorn Jr. of Hudson, president of Insurance Federation of New York, discussed the agent's function in the community and compared it with those of the doctor and lawyer.

Of all semi-professional people in this country, none is presently more discussed and harrassed than the independent local agent, Mr. Thorn said, and at no time has he more cause to be worried.

As insured entrusts his health to a

doctor he selects, and his legal complications to an attorney he selects, he entrusts much of his financial safety to a local agent he selects. This is true today more than ever because a man's entire assets can be wiped out within a few minutes in a number of ways—fire, negligence, accident, robbery, etc. Thus a man relies on his local agent to make certain that he is completely protected. One misstep by the agent or his office force, and his client can be ruined.

### Low Cost Worrying

Insured, Mr. Thorn pointed out, expects his agent to do his worrying for him, but more than this, he expects it at the lowest possible cost. The client expects his agent to keep him away from non-essential coverages and always to be on the lookout for ways to reduce his premiums while keeping his protection intact. The local agent accepts this responsibility as part of his professional service.

Other things the agent does for insured, which the latter seldom realizes, is to search the manual for a lower rated liability classification, to work with a field man to see what steps will result in a lower fire rate, to argue with a company underwriter over keeping a policy in force, to question a bureau over a debit charge, or to study insurance magazines and bulletins looking for new ideas for giving his client better protection.

The agent goes even further than this, in a somewhat more intangible way, he said. Through his associations he gives much time and money working on group problems such as accident prevention, fire safety and driver education. He spends countless hours on programs of a local, state and national nature, including legislation, aimed at reducing rates.

This is service in which the agent is unique, Mr. Thorn pointed out. The good agent would be amazed at the amount of time he spends on efforts to reduce rates, which reduce his take-home pay.

### Survival Means Selling

Unlike other professional men, it is not only ethical for the insurance agent to go out and sell, but he will not survive unless he does. However, this can't be high pressure selling because that would destroy the carefully built-up confidence of his insured. The agent's selling consists of pointing out to his client whatever loopholes exist in his insurance portfolio. Such selling must be carefully handled, he said.

In discussing knowledge of the business, Mr. Thorn said that the standard joke about the impossibility of understanding an insurance policy is no joke to the agent. It is impossible for him to keep in his head even the important changes occurring daily in insurance. He must have an office force of experts, depending on the size of his business. These experts must be highly paid.

The agent, like the doctor, must be available at all times Mr. Thorn said. When a serious accident occurs insured wants his agent right away. He wants reassurance about being properly protected and he wants the agent to take over his worries immediately.

### Licensing Should Be Strict

This is the local independent agent, a man of great importance in the economy of the country. However, Mr. Thorn noted that although the community has accepted the agent in this stature, it has been slow to guarantee competence in the position. Every

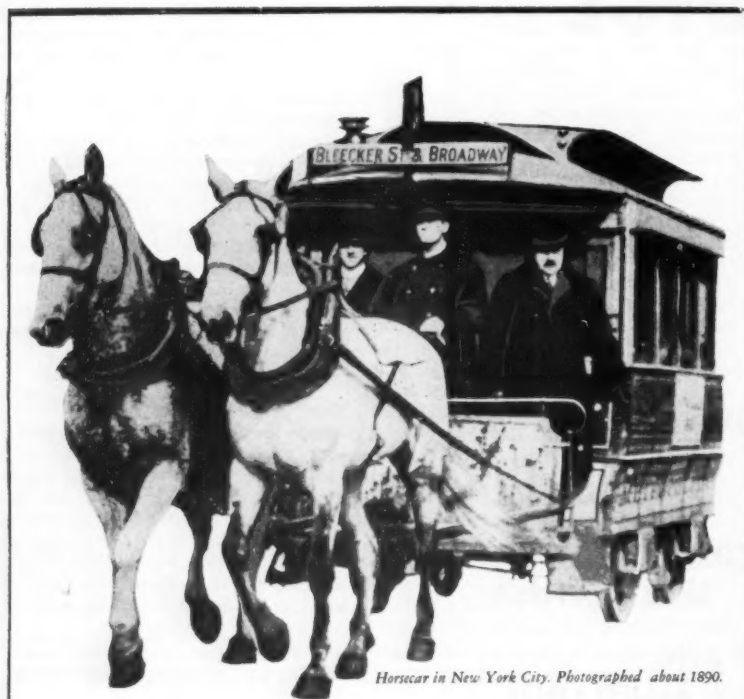
state should have strict licensing laws and provide a stiff examination for the prospective agent, thus producing agents of the highest type.

## Gulf Ins. Co. Employees Given 2½% Salary Bonus

Officers and employees of Gulf Ins. Co. were given a year end bonus equal to 2½% of the salary received by each during the combined years of 1956-58. Some 427 persons shared in the distribution which amounted to \$108,000.

## Marine Forum Elects

American Marine Insurance Forum has elected Robert P. Mundhenk, of Carpinter & Baker, president; Walter T. Wells, Marine Office of America, vice-president; Douglas C. Cox, Appleton & Cox, treasurer; and George Stellweg, American International Underwriters, secretary. Elected directors were Alfred D. Haynes Jr., Hartford Fire; Edward N. White Jr., Home; Charles N. Shepard, Aetna Fire; Justin N. Tierney, Fireman's Fund; and William M. Stehle, Royal-Globe.



Horsecar in New York City. Photographed about 1890.

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## Juries Are 20% More Generous In Awards Than Judges; Often Agree On Liability

Jury awards, on the average, exceed those of judges by 20% in personal injury cases, according to a sampling reported by Dr. Hans Zeisel, professor of law and sociology of University of Chicago law school. He described studies made there, as an attempt to apply engineering methods to law—primarily with respect to the American jury. He spoke on automo-

bile jury verdicts at the Mutual Insurance Technical Conference at Boston.

Dr. Zeisel discussed what difference, if any, it makes whether a claim arising out of an accident is decided by a jury, or by a judge without a jury. Most cases go before a jury, unless both sides agree to waive. Since one side as a rule hopes to have an ad-

vantage from a jury, roughly 80% of all personal injury claims are decided by that method.

### Wide Sampling Taken

He said that in the study, 500 trial judges presiding over jury trials in courts all over the country were asked to keep for several months a record of every jury trial over which they presided. In addition to some facts about the case itself, the judge told those conducting the study how the jury decided the case, and most im-

portant, how he, the judge, would have decided the case had he tried it without a jury. Therefore, Dr. Zeisel and his colleagues know how the juries decided several thousand personal injury cases and how the judges would have decided in their stead.

In one-half of all cases both judge and jury agreed to a verdict for the plaintiff. In 29% of the cases, judge and jury agreed in a finding for the defendant. Thus in roughly 80% of all cases, judge and jury agreed on liability. The remaining 21% were evenly split. In 10% of the cases the jury found for the defendant but the judge would have found for the plaintiff, and in 11% of the actions the judge would have found for the defendant, where the jury did find for the plaintiff. In 60% of cases the judge would have found for the plaintiff, and in 61% the jury actually did so.

### Juries Do Not Compromise

Dr. Zeisel said this is an important finding, because juries are often accused of compromising and finding more often for the plaintiff than they should. Actually, they find just as often for the defendant as does the judge, who can't very well be accused of compromising on the law. The picture for criminal cases is somewhat different. There, too, the judge and the jury agree in approximately 80% of their verdicts, but in the cases where they differ, the jury is much more likely to find in favor of the defendant, unlike civil cases where jury and judge are balanced on the question of liability.

In personal injury cases—separated by type of defendant—judge and jury also agreed approximately 80% of the time. Where the defendant was an individual, the two groups were balanced. The jury found in 9% of the cases for the plaintiff where the judge would have found for the defendant, but in 10% of the cases it was the other way around. If the defendant is a corporation the jury tends to be more on the side of the plaintiff—13% vs 8%—and if the defendant is a governmental body the difference is even greater—16% vs 3%—Dr. Zeisel said.

### Has Choice Of Errors

This seems to show that the more apparent it is that the defendant can pay, the more likely the jury is to be on the side of the plaintiff, he continued. Yet this is not simply a "soak the rich" attitude. Usually the juror has something like the following in mind if the case is close: "I am not quite sure which way this case ought to be decided; it is on the borderline

(CONTINUED ON PAGE 18)



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## Insurer Results Improving, Polley Notes; Sees Competition As Real Challenge Ahead

Company figures indicate a marked improvement in underwriting results for the latter months of 1958 as compared with earlier months and with the latter months of 1957, Arthur L. Polley, vice-president of Hartford Fire, said in his presidential address at the annual meeting in New York of Eastern Underwriters Assn. He said he did not anticipate that this improvement would be sufficient to produce an underwriting profit for the business in 1958. But he was confident that 1958 will show a pronounced trend in the right direction and one which will continue until the business is in a period of reasonable underwriting profits.

"Now is an opportune time for all company managements to correct any unsound practices they may have been forced by competition to condone," he declared. Much has been done in this respect and is already reflected in the results. More will be done to assist the business to earn satisfactory underwriting profits. He said he hoped that when this is accomplished the competition for those profits will not reverse the process and send some companies back into unsound practices and red figures.

### Cycles Are Historic

Fortunately, he added, over the years, the profit years and profit dollars have exceeded materially the unprofitable years and loss dollars. But this must always be so if the business is to survive. These cycles of unprofitable years followed by profitable are historical in the business and must be expected. They should neither unduly discourage nor elate those in the business, nor cause management to depart from practices which, over the years, have proved sound.

Mr. Polley called attention to several trends that seem significant for the future.

One is that of paying premiums in some form of deferred payment. Installment paying is a very important factor in all American merchandising. Insurance is looked upon in probably the majority of households as a necessary continuing expense, not too different from utility services, such as electricity and telephone, and certainly in the same category as the payments on an automobile bought on a deferred payment plan.

### Cites Trend Toward Detail

Another trend is toward more detailed work being done by the companies and less by the agents, whereby the latter may have more time to produce and service business. For example, the trend is away from policy writing in agents' offices and toward companies assuming that labor. The very good reason for this is that through the use of modern machines and particularly electronic devices it is anticipated that methods will eventually be found to perform this labor in large units much more economically than it can be done by hand in agencies. This can apply to policy writing, making of agents' accounts, and other bookkeeping and clerical operations for the agents. However, it must be kept in mind that while such machines operate rapidly, they are expensive to rent or buy and require skilled, high cost personnel to operate. Obviously, he said, the long term

trend is toward more intense competition, and there is every indication this will continue to be so.

"In years gone by the competition which possibly annoyed us the most was that of the agency mutual," Mr. Polley observed. In recent years this has been intensified by the mutual and non-mutual direct writers. To date, these companies have been operating largely in a few classes, the most prominent being automobile. But they are committed to expansion into other classes, one by one.

### Private Dwelling Business Next

The next big class of business that will be undertaken is, of course, the private dwelling, and casualty, which is an important class to almost all agencies. Undoubtedly in time this will spread to the mercantile (certainly the public building) and then

(CONTINUED ON PAGE 25)

## Offers Reinsurance In U. S. Insurers To Foreign Companies

American Excess Co. of Philadelphia, excess and surplus lines underwriters, recently has made available a new service to European, Latin American, Asian and African companies. It is now possible for these non-American and non-Canadian insurers to place reinsurance and retrocessions with American stock insurers through American Excess.

Leonard J. Silver, president of American Excess, said foreign companies can offer this business for placement in American insurers either directly with American Excess or through any reinsurance broker of their choice through American Excess. Brokerage commission will be paid to either American or foreign reinsurance brokers.

Mr. Silver said the new facilities of his firm include both treaty and facultative cessions and include retrocession on both bases. The new facilities

## Harvard To Conduct Grave-To-Cradle Study Of Fatal Accidents

Harvard University has been granted \$809,000 by the National Institute of Health to conduct the first grave-to-cradle study of fatal automobile accidents. The object of the five year project is to learn the underlying causes of road mishaps. Efforts will be made to trace the errant driver back to infancy to learn how he behaved at that time. From the study Harvard hopes to develop a blueprint that will point the way to cutting materially the grim accident toll on the highway. Deaths of pedestrians in traffic will also be studied to see what responsibility, if any, they have in the fatal crashes.

include markets for all types of insurance, fire and allied lines, inland marine, transportation, burglary, aviation, ocean hull and cargo, but not accident. American Excess is at 2039 Walnut street, Philadelphia.



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444 South Third Street

SALT LAKE CITY, UTAH  
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DALLAS, TEXAS  
2586 Cedar Springs Ave.



## Shepard Chairman Of WUA Governors

R. B. Shepard Jr., St. Paul F.&M., has been elected chairman and J. G. McFarland, National Union, vice-chairman of the governing committee of Western Underwriters Assn.

Chairmen of other committees are: R. R. Hayes, Crum & Forster, public relations; C. L. Zook, National Fire, losses; F. W. Spalding Jr., Springfield F.&M., research; C. L. Day, North

British, membership; C. A. Winkler, Yorkshire, arrangements; P. H. Barr, Hanover, conference; Mr. McFarland, finance; P. S. Beebe, Hartford Fire, fire protection engineering; E. S. Whitcombe, Hartford Fire, forms; and J. C. Qualmann, Royal-Globe, Rocky Mountain.

### Reading CPCUs Form Chapter

The newly formed Reading (Pa.) chapter of CPCU, at its organizational meeting, elected Leonard Fowler,

American Casualty, president. Other new officers are Robert Wenrich, vice-president, and Richard Sweet, Travelers, secretary-treasurer. Directors are James E. Kilduff, U.S.F.&G., and Donald E. Grahn, American Casualty.

The Cleveland office of Loyalty group this week moved into the new America Fore Loyalty group building at 3740 Euclid avenue. Frank J. Weber is Cleveland manager of Loyalty group.

## Get Set To Make Dual Regulation Work, Gov. Meyner Advises

NEW YORK—Gov. Meyner of New Jersey, in his talk at the Life Insurance Assn. annual meeting, counseled the industry to work for the best possible system of dual regulation of the business by Congress and the states, rather than regarding it as a matter of antagonism between state and nation.

The problem should be approached as one of "proper adjustment and distribution of efforts between state and nation," he said. Hence he urged that the industry consider a study of regulation with open minds on these questions:

—"What should be assigned to Congress? It is no longer a question whether anything should be assigned—Congress is already in the business of regulating insurance as well as in the business of insurance itself.

### Dependent Upon Congress

—"What should be assigned to the states? Since the Southeastern Underwriters Assn. decision, there is no question that state power is dependent on the will—indeed, on the pleasure of Congress.

—"What should be taken out of state statutes as no longer needed in the light of the maturity of the industry and the broad administrative powers usual in the regulation of the industry?

—"What should be added to state statutes to make certain that the states are fulfilling all of their obligations and responsibilities under public law 15?

### Study Called 'Statesmanlike'

"It seems to me that to embark upon such a study would be a statesmanlike act on the part of your industry and I believe it would be welcomed by state insurance commissions and Congress alike. I have referred to insurance as a business and as an industry but it is much more than that. It is a national institution . . . If, by the process of self-examination and improvement

(CONTINUED ON PAGE 34)

### State Farm Ads Win Gold Medals

State Farm Mutual's 1958 advertising won four gold medals in the annual advertising competition of Art Directors Club of Chicago. Awards for design excellence were made to only 15 of 2,091 entries in the contest. The four State Farm ads were part of the company's 1958 magazine advertising campaign in Life, Look and the Reader's Digest, featuring photographs of dramatic facial expressions over copy emphasizing the low relative cost of the company's auto insurance.

### Corpus Christi Assn. Elects

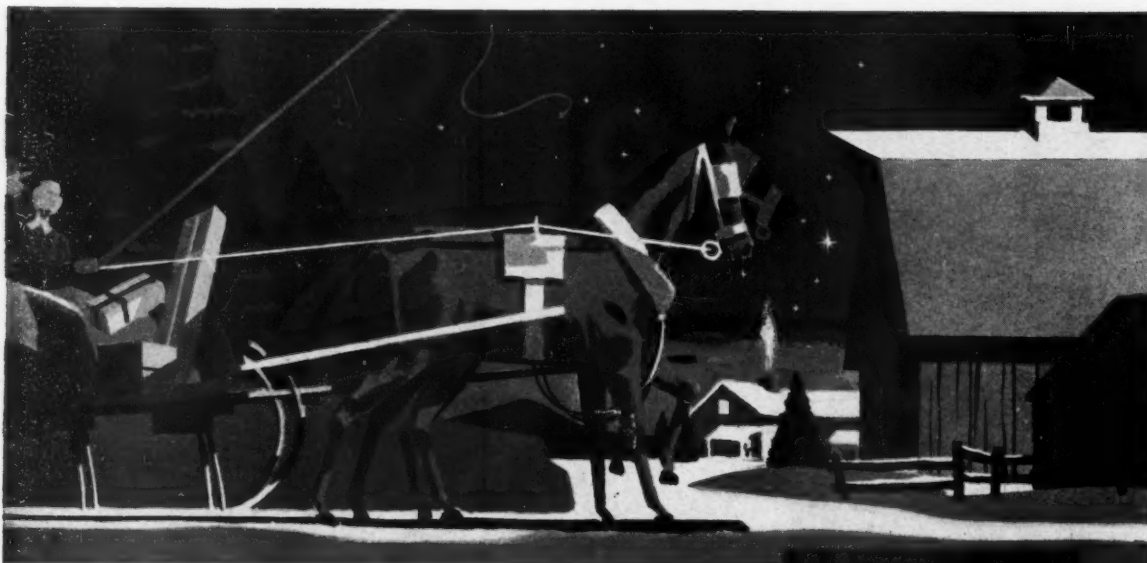
Corpus Christi Assn. of Independent Insurance Agents has elected John D. Morgan, president; Miss Annie Shaw and Henry Coutret, vice-presidents; and D. Baxter Jackson, executive secretary.

### CONFIDENTIAL NEGOTIATIONS FOR SALE OF INSURANCE COMPANIES

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most enjoyable holiday season.

May the year ahead be rich  
in the joys of service.



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**STANDARD FIRE INSURANCE COMPANY**

Hartford 15, Connecticut





## Engel To New Orleans In Royal-Globe Post

Royal-Globe has appointed John W. Engel casualty manager at New Orleans to supervise casualty underwriting in Louisiana, Mississippi and Arkansas. He joined the company in 1946 and most recently was supervising underwriter of commercial casualty accounts in the New York office.

## Reliance Raises Moyer

Reliance has elected Earl E. Moyer assistant treasurer. He began with the company in 1937 and has been general auditor 11 years. Before joining Reliance he was chief examiner and compensation actuary for the Pennsylvania department.

## Oberman Heads Brokers

Samuel Oberman has been elected chairman of Brokers Assn. Joint Council of New York. He is past president of General Brokers Assn. Frank L. Schiraldi, past president of Brooklyn Brokers Assn., was elected vice-chairman.

## Osborn & Lange Takes On Marine Business Of Late R. W. Sumner

The late Robert W. Sumner's commercial hull, protection and indemnity and cargo insurance business is now being conducted by Osborn & Lange of Chicago. Osborn & Lange, which has offices in Chicago, New York, Montreal and Winnipeg, has opened a Detroit office in association with Grow-Sumner-Englebert agencies. Robert M. Adams, Miss Marjorie Cole and Mrs. Robert Sumner will be associated with the Chicago agency. All the non-marine business of the late Mr. Sumner will continue to be handled by the staff of Grow-Sumner-Englebert agencies. The two agencies will operate as a unit, Osborn & Lange specializing in marine insurance and Grow-Sumner-Englebert in general insurance.

## Warranty Is Insurance In Me.

The attorney general of Maine has ruled that those engaged in the sale of used car warranties are in effect conducting an insurance business. In his judgment, the sale of a warranty meets all the precedents established to define an insurance contract.

John Curry, associate manager of the Trenton office of Fire Insurance Rating Organization of New Jersey, will address the Jan. 9 meeting of Trenton Field Club.

## Lyons Is AFIA Manager For The Philippines

John M. Lyons, former manager of American Foreign Insurance Assn. at Johannesburg, South Africa, has been appointed manager for the Philippines. He will assist Victor H. Bello, supervisor for the Philippines, Hong Kong and Guam. Mr. Lyons joined AFIA in 1947 and went to India. He has also served at Singapore, Hong Kong, and at the head office.

## Old Michigan Fire And Casualty Insurers Merge

Frankenmuth Mutual Fire is merging with Frankenmuth Mutual, effective Dec. 15, with the latter being the surviving company. The fire insurer was formed in 1868 and the casualty company was organized in 1921. Carl Nuechterlein will be president of the merged company.

## J.H. Beck Opens New Agency

John H. Beck has opened a new agency, John H. Beck Co., in the Garrett building, South and Redwood streets, Baltimore. He started in insurance in 1940 with Fire Association in Philadelphia. Following navy service, he returned to the company and went to southern California as special agent. In 1948 he went to Baltimore as special agent for Maryland, Delaware and District of Columbia. He later took charge of the Baltimore territory and in 1950 was named state agent. During this period he was field representative for Maryland Fire Underwriters Rating Bureau and chairman of the state's joint territorial committee for National Assn. of Automobile Underwriters.

In 1953 he became resident manager of the company's Baltimore service office and a year later went back to the home office as assistant in the production department. He later returned to Baltimore to become a fire and marine rate analyst with the insurance department and in 1957 joined the Ford Griffin agency there as production manager.

## Pacific CPCUs Elect Jenner

Robinson Jenner has been elected president of the Pacific Northwest CPCUs. H. P. Sargent was named vice-president and Spencer Pitts secretary. Douglas Lane is treasurer.

Russell Reilly, manager of Loyalty group at Trenton, is retiring Dec. 31 after more than 45 years with the organization.

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## Commissioners Focus Attention On Promotional Aspects

(CONTINUED FROM PAGE 1)

Parker noted, have been the declaration by Combs of Arkansas that he has enough life companies for the present and no new domestic ones will be allowed to organize for a time, and the Illinois department's survey on admissions, a resume of which has been distributed to all commissioners. All states, the survey shows, have some laws on the books which commissioners

can use to control companies of a promotional character.

James Ross of Illinois said there are a good many problems in his state. For example a holding company will be organized and in turn it will organize a life company holding 51% of the stock, but the life company will claim as an asset all of the stock of the holding company. Or a company will sell stock

for \$5, and as soon as the sale is completed will ask for an increase in authorized capital and sell the new stock at \$7.50, telling the original stockholders the value has increased 50% when actually, Mr. Ross commented, the value is purely fictitious.

Asked about waiting periods before admission—requirements that companies be in business for a given time

before another state will admit them, Mr. Parker read from the Illinois survey to note that 22 states have such laws; 21 have no regulation on this score, and 5 have something in between.

Ross Duncan of Alaska said that since his territory became a state there have been 35 requests to start domestic insurers, all from non-Alaskans. All 35 lost interest when they learned the population of Alaska is only 150,000.

In Nevada, Commissioner Hammel of that state said two new companies have been formed in the last two years, although 17 made the attempt. A typical example of a company turned down, he reported, is the plan of selling one million shares, half to the promoters for one mill per share and the balance to the public for enough to make an initial capital-surplus of \$10 million.

Commissioner Harrison of Texas remarked that he has the right under the new laws there to challenge management and in the cases where this has been applied it has been 100% successful.

### Hubbard Speaks Out

Moses T. Hubbard, of International Federation of Commercial Travelers Companies, after sitting quietly through two or three recent NAIC meetings, returned to the verbal wars at New Orleans protesting in his own remarkable style the suggestion that companies be required to obtain a license in every state in which they do business.

Mr. Hubbard's objection was to a recommendation of the subcommittee to study and review state laws necessary and essential to state regulation, that there be introduced bills defining what is meant by doing business in a state and as a consequence require that any insurer doing business be licensed. It was pointed out that before a state can subject a foreign insurer to its control for the purpose of instituting proceedings against it, the company must be doing business in that state. Thus, if the definition of doing business were made clear, especially on the score of companies doing a mail order business, the state would have the same recourse to act as an insured or beneficiary under the unauthorized insurer service of process act.

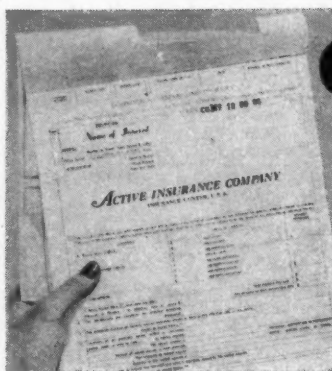
### Seemed To Provoke No One

This preliminary suggestion seemed to provoke no one, but when the subcommittee went on to recommend that all licensed companies of a domiciliary state be licensed in the state in which they do business, Mr. Hubbard hurled the charge of unfairness and inequity.

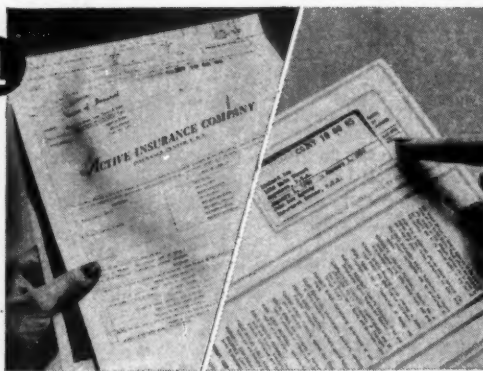
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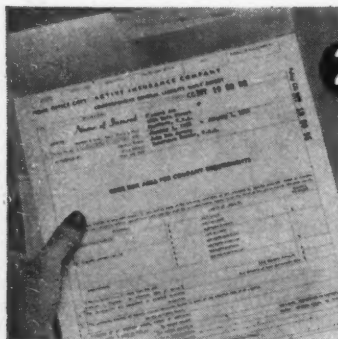
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for another, he asserted. If "X" state is not doing its own job of regulating its companies in their national operations then the job is to be taken over by "Y" state. The plan is the old reciprocal bill, tossed around for 20 years and rejected because it is unjust and impracticable. Mr. Hubbard declared that the purpose of the bill is, for example, to stop a New York company from transacting business in some other state because that other state is doing a "lousy job" of regulating its own companies. It is an absurd dodge to cover inefficiency, he added. No fair minded people should do it on the grounds of equity alone. It is an admission of failure to regulate.

Knowlton of New Hampshire asked Mr. Hubbard if the definition of doing business were adopted and the state has a law on the books that a company doing business there must be licensed, would not the Commercial Travelers Companies have to get a license?

No, Mr. Hubbard said, because his companies are operating under retaliatory statutes. The Travelers Companies are assessment and New York has a law preventing the licensing of foreign assessment insurers. The retaliatory statutes of other states prevent the Travelers Companies from being licensed in most states. The effect of requiring the companies to obtain licenses in all states in which they do business would be to drive them out of business.

#### Has Doubts On Control

Duncan of Alaska voiced doubt whether he could have the control he wants if the company is not licensed in Alaska when writing Alaska lives or risks. Mr. Hubbard said the unauthorized service of process act covers the Alaskans, while New York regulates all the business of its domestic companies and a call from any other commissioner to New York will get prompt action.

No action was taken partly because copies of the proposed bills were not available. The meeting, under the chairmanship of Vorys of Ohio, adjourned to reconvene when copies could be distributed.

#### Discuss Multiple Rating, Filing

As anticipated, the meeting of the subcommittee on statistical, rating and filing of multiple line contracts was the big event of the first day. As might have been anticipated, it was conducted in the smallest meeting room in the Roosevelt Hotel. After about 90 minutes of debate, comment, and counsel, the commissioners went into executive session, nobody's mind having been changed, to determine whether the report the subcommittee concocted many months ago should be adopted and passed along to the parent rates and rating organization committee.

The subcommittee report, known as the M-1, has marked clearly the division in the property and casualty business between the bureau adherents and the independents. Feeling runs high on this question, and Vorys of Ohio, who presided, did what he could to keep the pressure within the safety zone.

The subcommittee members are Ohio, California and New York. At the June meeting of NAIC the famous M-1 report was presented, and after running into opposition from the bureaus an all-industry committee was set up on the spot to come up with recommendations. Five expressions of opinion emerged from this—four favoring adoption of the M-1

## West Coast Insurer Liquidation Ordered

Liquidation of assets of International Guaranty & Ins. Co. of Tangier has been ordered by superior court at San Francisco. The assets are a trust fund of \$1,100,000 which was seized last April by the state insurance commissioner when the company was accused of unlicensed operation from the office of Stewart B. Hopps, at San Francisco.

The state alleges that the trust fund is actually made up of nearly \$400,000 in first mortgages and \$600,000 in second mortgages, all over-valued. The court order will enable the state to publicize the liquidation and to invite those with claims against the company to press them. The order nullifies the company's policies with mortgage and loan companies in five states outside of California. These policies allegedly have a face value of \$60 million. The

report and one, the bureaus, opposing. Co-chairmen of the all-industry committee were J. R. Berry of National Board and Vestal Lemmon of National Assn. of Independent Insurers. Mr. Vorys allowed each of them a half-hour in which to present their cases, with 15 minutes at the end for those who had no position but still wanted to be heard. While the strategy was worked out, Robert K. Syfert of the Ohio department offered some preliminary comments.

The M-1 report does not deal with statistical plans, Mr. Syfert admitted, it covers only the minor area of filing. The matter is not important, he asserted, but it has been surrounded with an emotional atmosphere beyond its significance. The issue is that of partial subscribership to rating bureaus, with the M-1 supporting a liberal interpretation of the rating laws to permit this activity. The idea of partial subscribership, he declared, is rapidly gaining acceptance in many jurisdictions. To accept it, he added, will lead to serious problems for the bureaus.

#### Lemmon Describes Issue

Leading off for the independents, Mr. Lemmon read the names of the 38 companies on the NAII fire and marine and multiple line committees which studied the M-1 report when it was first introduced. They represented large and small insurers of all types of operation, and they voted for the report unanimously. At the annual meeting of NAII the full membership voted on the report, favoring it unanimously.

Mr. Lemmon described the essential issue as whether the commissioners want a system which will help develop expansion and progress in insurance, one that is simple and easily administered, or one that will impede development in which the pace is that of the slowest ship in the bureau convoy, leaving progressiveness to the giant companies which can afford to buck the bureaus. Adoption of the report is a vote for progress, he declared.

Perry Epes of North America, seconding Mr. Lemmon, remarked that the length of the reports suggested complexity, but actually, he said, the problem is simple.

The basic premise of the bureaus, he noted, is the theory that package policies are not a unit in themselves, but are a bunch of loose entities tied together. The M-1 report recognizes that packages are an entity in themselves. And further, he said, NAIC has recognized the separate status of packages in its treatment of home-

order also directed that all claims and expenses must be reported to the court for approval as liquidation proceeds.

A decision on the possibility of mail fraud indictments against International is pending in Baltimore where a federal grand jury indicted Commercial Savings & Loan Co. on such charges. The jury said Commercial advertised that its accounts were insured by International, with full knowledge that the insurer did not have sufficient assets. It also charged that International distributed a brochure on its financial status, knowing that it contained false statements. Postal authorities have indicated that a decision should be forthcoming within two months on whether mail fraud can be charged against the insurer for distribution of the financial brochure.

owners and commercial multiple peril in the convention statements.

On the question of partial subscribership, Mr. Epes said the New York department decision on North America's commercial property filing is a case at point, upholding North America on this question.

The whole opposition of the bureaus to the M-1 report centers on the last sentence, he charged, that sentence reading:

"All multiple line packages should be considered as separate and complete entities as insurance instruments and should be so treated in all matters involving rating techniques, filing procedures, statistical reporting and statutory proceedings."

#### Gives Alternative

The bureau alternative to the report, he said, is cumbersome, with an insurer having the option of going along or withdrawing from bureaus for all components of a package, bringing about uniformity by means of roadblocks and depriving smaller companies of initiative.

Barclay Shaw, counsel of National Assn. of Insurance Brokers, reported that a special committee of brokers on this were unanimous in supporting the M-1 report, as is the NAIB governing committee, believing the report to be in the public interest.

Ambrose Kelly of Factory Mutuals said his organization supports the report as being practical from the Factory Mutuals' standpoint. In some states, affiliated Factory Mutuals can't file rates independently, he remarked, and this encourages the group to support the report.

#### Vote For Report

Votes for the report were cast by representatives of Atlantic Mutual and Chubb & Son, and by Robert Early of Farmers Exchange, who said Fire Exchange of the Farmers Group has "felt the impact of the bureau nutcrackers" and had to go to court to allowed to have a partial subscribership.

When Mr. Berry moved to the microphone to head up the bureau position, he asked if anyone had a watch. Mr. Lemmon, returning to his seat, offered, "I'll time him," and this brought a laugh that took the edge off the proceedings.

On Nov. 12, Mr. Berry reported, the all-industry committee voted 14 to 4 against the M-1 report, and as of the morning of Dec. 15 stood 10 to 5 in favor of the bureau report, with seven members not voting.

The National Board has a lot of small companies in its membership, Mr. Berry commented, NAII has no

monopoly on that matter, except that the gap between the largest and the smallest company is greater in NAII.

Saying he would avoid the use of the words "chaos" or "confusion," Mr. Berry declared the one principle reason for National Board opposition to the M-1 report is that regulation can be "seriously embarrassed" if it becomes disorderly. The M-1 report allows any grouping of coverages to be treated as separate insurance, thus allowing any company with a multi-peril contract to file it independently. How many departments are geared for that, he wondered.

#### Decision On Appeal

The New York department decision in the NYFIRO-North America case is now on appeal, Mr. Berry pointed out. It is not finally decided. In Washington, the department has decided against North America on substantially the same issue and has been upheld in the court. So it is early to count the judicial determinations on this subject. Mr. Berry urged a period of watchful waiting until the results come in definitely from these two cases. In the meantime, the rating bureaus have new suggestions for package policy filing which will relieve the departments of detail and bother, and these ideas will be put into practice soon. Mr. Berry observed that the present rate laws allow for an appeal by the minority, allowing a company to offer its plan to the bureau and if it is turned down to go direct to the department. This provision was put in at the urging of North America, Mr. Berry noted, but that company has never used it on a rate filing.

Mr. Berry said he was not counseling delay, but offering a new plan which should be given a chance to work.

Milton Mays of America Fore and chairman of Inter-Regional Insurance Conference, said the bureau proposed filing procedure is helpful. It has been adopted by Inter-Regional and sent to the rating bureaus. He predicted it will be in use in 60 days. It should be accepted as an honest effort to solve the problems the M-1 report brings up, he urged.

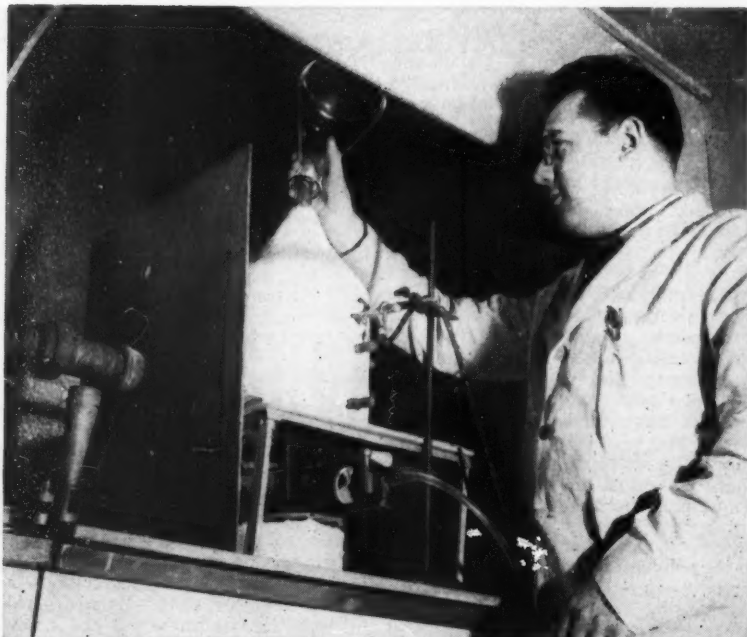
#### Describes Rate Laws

Hugh Harbison of Travelers said the rate laws call for uniformity of rates balanced with independence of action. There are two rate laws, he declared—fire and casualty. The basic premise of the M-1 report (election of which law to use) is wrong as a matter of law. Fire insurance means fire insurance, theft means theft, liability irrespective of whether they are rated separately or as part of a package. Each remains its own kind of insurance as defined in the separate rate laws.

If the addition of a coverage can "avoid" subscribership to a bureau, then any company could simply add a peril and escape application of the rate regulatory laws, Mr. Harbison said, adding that the independent companies recognize the necessity of bureau assistance but want to get it on their own terms.

John R. Barry of Corroon & Reynolds, the only speaker from the "neutral" zone, added a light touch before the commissioners went into executive session. He pointed out that there were rate laws before the SEUA decision. One solution to the present controversy is to abolish all rate bureaus, and then see what happens. Mr.

(CONTINUED ON PAGE 10)



## Fires set-to-order reduce insurance losses from smoke odor

Setting fires deliberately to get smoke samples is a safe practice in a laboratory. In this case, Airkem researchers burn complex materials in order to analyze the smoke and find effective methods of removing the particles from contaminated materials.

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### Convention Dates

Dec. 28-29, American Assn. of University Teachers of Insurance, annual, LaSalle Hotel, Chicago.

#### 1959

May 6-8, National Assn. of Independent Insurance Adjusters, annual, Shamrock Hilton Hotel, Houston.

May 11-14, National Assn. of Insurance Brokers, annual, New York.

May 18-20, American Assn. of Managing General Agents, annual, Essex House, New York.

Oct. 18-20, Missouri Assn. of Independent Agents, annual, Hotel Governor, Jefferson City.

### Insurance Encyclopedia Published By Germans

An insurance encyclopedia recently published in Germany now has been made available in this country. The two volume, 1,280-page work covers all phases of insurance in both Europe and North America and is considered by its publishers to be the most authoritative reference manual and source of information published in the field. The encyclopedia contains definitions of insurance terms including each country's definition if it is unique, and underwriting principles and practices in various countries.

The encyclopedia is printed in German. It sells for \$55 and is available from the German-American Trade Promotion Office, 350 Fifth avenue, New York.

### Fowler Elected President Of National Board Group

National Board's 25 Year Club has elected Everett W. Fowler, chief engineer at New York, president; Edward L. Zeltner, engineer in the fire prevention and engineering standards department, vice-president, and Helen M. Schofield of adjustments department, secretary.

### Ga. Farm Bureau Elects

Georgia Farm Bureau Mutual has elected John P. Duncan Jr., president of the Georgia Farm Bureau Federation, president; Harry L. Brown, vice-president of the federation, vice-president, and John R. Batts secretary-treasurer.

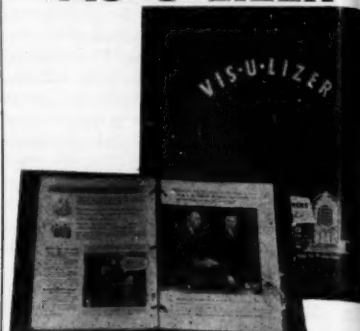
### Pittsburgh Surety Men Elect

Surety Assn. of Pittsburgh has elected David Meehan, U.S.F.&G., president; John F. Gibson, American, vice-president; Edward G. Vogel, Fidelity & Casualty, treasurer; and Edwin R. Myers, Travelers, secretary. Elected to the executive committee were Mr. Meehan, A. W. Von Hofen, Continental Casualty, Logan W. Long, National Surety, Mr. Vogel, Mr. Myers, J. P. McMahon, Fidelity & Casualty, John H. Kessler Jr., Fidelity & Deposit, and Joseph A. Peretti, Maryland Casualty.

Rhode Island Assn. of Insurance Agents has notified National Bureau and National Automobile Underwriters Assn. that it is unalterably opposed to any contemplated automobile insurance rate filing in the state predicated on a reduction of the production cost allowance in the rating formula.

Richard S. Balliet has been elected president of Appleton (Wis.) Assn. of Insurance Agents; Alex Strobel, vice-president; Richard Stack, secretary; William Robertson, treasurer, and Dan Steinberg Jr., director for three years.

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## Examples Of Underinsurance In Crime Field

Additional examples of underinsurance in all lines continue to crop up. Here are several cases in the field of crime:

A wholesale and retail television and radio supply company suffered a fidelity loss of \$16,886 with bond coverage of \$10,000. A clerk in the parts receiving and shipping department, in collusion with an outsider, broke into the premises at night, taking a substantial amount of merchandise, which was sold to a fence. There was a complete electric eye system pro-

tecting the premises, but the employee knew where the eye was located and by-passed it.

Two employees of a retail fish and poultry company in collusion reentered the plant at night and loaded merchandise on a truck. This occurred several times until police happened to be cruising by and caught the two. The loss was \$11,749. Bond coverage was \$5,000.

An appliance dealer on the west coast hired a female cashier and bookkeeper and permitted her to have almost complete control without adequate audit. Records were manipulated until the loss reached \$54,381. The fidelity bond was \$10,000.

### Records Were Falsified

An automobile battery company operating branches in several cities discovered that the merger of one branch was falsifying records of batteries sold to cover up the fact that batteries

were sold without remittance to the employer. The loss totaled \$34,000 before discovery. The bond was \$10,000.

Under a 3-D policy on a grocery store a bank deposit was made up on the premises for \$12,586. It was placed on top of a box of trading stamps which were to be taken to another location to be destroyed by fire. The messenger threw both the deposit and the stamps into the furnace. The policy covering destruction of money had a limit of liability of \$7,500 against a loss of \$12,586.

## Record Construction Predicted For 1959

The general belief is that 1959 will be the 14th consecutive year of increased record construction volume. William F. Frakes, general manager of Bureau of Contract Information, said in his report at the annual meeting in New York.

Some of the gain will be due to price increases, some to higher volume. Construction contracts have been running at extremely high levels in recent months, almost assuring active operation in the early part of 1959. It is estimated that new construction next year will pass the \$50 billion mark for the first time in history. Volume of contract bond is normally influenced by the volume of construction, Mr. Frakes observed.

Carl A. Keppler, vice-president of National Surety, president of the bureau, and other officers were reelected. New directors are L. F. Balleren, Employers Liability; Norman A. Burgoon Jr., Fidelity & Deposit; A. A. Christian, Royal-Globe; G. M. Douglass, Travelers Indemnity; T. M. Gregory, American Surety; R. A. Hubbard, Central Surety; James F. Joyce, Phoenix of London; Norman C. Keyes, Maryland Casualty; Carroll W. Laird, Indemnity of North America; J. A. Swearingen, Aetna Casualty; William H. Wallace, Hartford Accident, and Carroll R. Young, Fidelity & Casualty.

### Highway Work To Increase

Highway work will increase substantially because of the federal-aid interstate program and the additional \$400 million appropriation for 1959 voted by Congress this year, Mr. Frakes stated. Inquiries to the bureau point to a pick-up in industrial construction. There will be demand for more school, hospital, church, sewer and water work construction.

However, contractors themselves are concerned with competition, Mr. Frakes said. Some say it is tougher than it has ever been. Labor and equipment prices have advanced but construction costs have not increased proportionately. Contractors blame themselves for not bidding a job for what it is worth or what it is going to cost.

In several localities, general and sub-contractors have taken steps to stabilize bid prices by adopting a four-hour bid plan. To avoid bid shopping, no sub-contractor's bids are accepted subsequent to four hours before the time of bid opening. This gives the general contractor opportunity to more accurately prepare and review his bid. From all reports, Mr. Frakes said, the agreement is working satisfactorily.

Wisconsin CPCU chapter has elected John Rust, Travelers, president; Thomas Irvine, American group, vice-president, and Howard Patton, Richter-Schroeder agency, secretary-treasurer.

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## NAIC Focus Attention On Promotional Aspects

(CONTINUED FROM PAGE 13)

Barry told the commissioners they have to justify their action on rates. They have to protect the public and the policyholders, and that means passing on every filing. "What is freedom of action?" he asked. "It means freedom to cut the rates, that's what the independents want."

Arch E. Northington of Tennessee, president of NAIC, said in his report to the convention that each year since the SEUA decision has seen improvements in state regulation. Much of the improvement has resulted from the activities of NAIC in such matters as development of model bills and regulations, committee reports and surveys, exchange in information and other cooperative action.

In the light of the current senate investigation, he said, the present duty of all persons interested in state regulation is to demonstrate to congress that this method of regulation is successful and its continuation is in the public interest.

### A Lessening Of Competition?

Mr. Northington said the O'Mahoney subcommittee seems to be primarily interested in whether state regulation has resulted in a lessening of competition in insurance, and a quick look at the multitude of forms, classification plans, rate differentials, deviations, etc., is proof that reasonable competition exists today.

It does not destroy the case for state regulation to point out a few instances in some localities of improper practices, Mr. Northington said. Where such situations have occurred, remedial action has been taken. "Company practices have been reviewed and corrective action ordered, inept or corrupt officials have been replaced, but throughout all of this, the general caliber of state regulation has been improving and each failure or breakdown has taught its lessons."

Pointing out such isolated instances, Mr. Northington stated, does not detract from the fact that state regulation has given, and will continue to give, "excellent protection to the people."

### Reasonable Competition Exists

Reasonable competition does exist under state regulation, he stressed, and will continue to an extent that would never be possible under a system of dual state and federal regulation. "We should all be extremely careful, however, in analyzing legislative procedures to be certain that no weapons are placed in the hands of any one segment of the insurance industry which might be used to harass another segment or group to the extent of preventing or decreasing competition. Any proposals which are put forth tending to permit any one group in the insurance industry not directly affected by the activities of another to cause prolonged hearings to be held or to be parties to matters not connected with their own business operations would, in my opinion, be destructive of the reasonable competition presently permissible under our system of state regulation."

Mr. Northington's talk was preceded by the opening of the first plenary session, which included greetings from the mayor of New Orleans and the Lieutenant Governor of Louisiana, presentation of commission as colonel

on the governor's staff and key to the city to Mr. Northington, and the introduction of three commissioners at their first meetings—Blackford of Michigan, Hulbert of Utah and Duncan of Alaska.

Binning of Nebraska presided over the meeting of the regulation of advertising subcommittee, at which Joseph O'Regan of Health Insurance Assn. told the commissioners the count on states having the model ad rules, the Fair Trade Practices Act, the individual policy provisions law and the unauthorized insurers service of process act.

### Three States Have Adopted Rules

Three states—Illinois, Oklahoma, and Maine—have adopted the NAIC advertising rules since June, Mr. O'Regan said. The rules are not in 30 states and several others have substantially the same rules under another name.

The fair trade practices act is in 44 states and 2 territories; the individual policy provisions law in 46 states and 3 territories, and the unauthorized insurers service of process act in 42 states.

Mr. Binning said Nebraska has amended its trade practices act to give the department regulation over the activities of its companies in other states. Thus, the home commissioner follows his companies into other jurisdictions. HIA, Mr. Binning noted, has prepared a model bill which does the same thing but is designed to preclude dual regulation. This would be done by amending the unfair trade practices act to add that any advertisement by complained of by the foreign state commissioner (whose own laws do not cover the complained of practice) can be dealt with by the home state commissioner.

### Outcome Is Awaited

Moses Hubbard of Federation of Commercial Travelers group remarked that it is possible to achieve the same ends by eliminating from the unfair trade practices act the words "in this state". He suggested that before anything is done that the commissioner wait for the decision in 8th circuit in the Travelers health case, in which the Nebraska amendment was made part of the record.

The subcommittee on fictitious fire and casualty groups, set up as a result of agent agitation, reported that an investigation into all reports cases is not yet complete. Attached to the report was a list of department rulings on fictitious groups.

Among its recommendations, the subcommittee suggested that its name be changed to subcommittee on group fire and casualty insurance; that it continue to investigate; that it submit recommendations considering whether or not it is advisable to consider an amendment of present rating laws to permit limited groupings in the fields of fire and casualty insurance.

Mrs. Jean Riggs of Wyoming raised the question at the installment premium payment plans subcommittee meeting of whether budget plans are in reality part of the rating formula and ought then to be on file with departments. The company people made the distinction between a plan in which the payments are made part of the policy and one in which the insured signs a note.

Hugh Harbison of Travelers said his

company decided to have its plan outside of rating because it applies to all types of insurance except life. The company finances the premium the insured signing a note. He said this method was used because people would rather deal directly with the insurer rather than with an outside organization such as a bank or finance company.

It is proper to consider this type a plan apart from the rate laws, Mr. Harrison said, but it would be different if the finance charges were made a part of the premium.

Asked by Mrs. Riggs if he felt the manner of collecting should be a matter of concern to the departments, Mr. Harrison said only if it is part of the rate structure.

Bradford Smith of North America noted that the installment premium plan does modify the rate and thus is subject to department review. The Travelers plan does not. He said he can't see why the note plan should be of serious concern to departments; it has been used in the hail business for years without anyone saying anything.

Broward Williams of Florida said his department is asking Robert Williams of Seattle, the code attorney, whether these plans should be spelled out in the new Florida code. Mr. Harrison said he hopes there will be nothing needed on this score. The annual statements give information on notes. An insurer could accomplish the financing through a bank and preclude department attention, but would rather deal in the way the public prefers.

### Have Ruling In Kentucky

Thurman of Kentucky remarked that in Kentucky the attorney general has ruled that premium tax has to be paid on the income from premium financing, and William Bruce of California added that this issue is being litigated in his state. The insurer won in the first court and case is on appeal. In this case the charge is only 50 cents a quarter for installment payments.

A narrative report of the activities of the preservation of state regulation committee, by the chairman, Navarre of Michigan, and a brief statement of "no report" from the federal liaison committee by McConnell of California constituted the NAIC committee business Tuesday morning.

Mr. Navarre said his committee reviewed the 24 items the senate subcommittee under O'Mahoney of Wyoming intends to delve into, as related by the subcommittee counsel in a talk before the insurance section of American Management Assn. Segments of these 24 points were divided among the NAIC committee members, who had the assignment of preparing statements from the point of view of state regulation as it applied to these topics. These statements are in the hands of the committee and will be ready for presentation to the O'Mahoney subcommittee when the hearings touch on the subjects in question.

Mr. Navarre offered words of caution on the score of letting down, saying that the states have to continue their efforts to perfect state regulation. Later on he suggested that the name of the NAIC committee be changed to committee for the perfection and preservation of state regulation in order to make this clear.

Discussing the questionnaire on state regulation mailed from the O'Mahoney subcommittee, Mr. Navarre mentioned that the NAIC had been able to obtain some classifications in it and have the time for submission extended.

## Insurance Teachers Complete Program For Annual Parley

The complete agenda of the annual meeting of American Assn. of University Teachers of Insurance at the LaSalle Hotel, Chicago, Dec. 28-29, has been announced by J. E. Hedges, Indiana University, program chairman.

Events and speakers are as follows: Sunday morning, CLU-CPCU breakfast and social hour; "The Insurance Curriculum in College and University Education for Business," Robert A. Hedges, University of Illinois; "Functions and Goals of Business Education and Schools of Business," A. M. Welmer, Indiana University; "What Are the Unique 'Principles' of Insurance?" Ralph H. Blanchard, Columbia University (retired); discussion, Joseph F. Trospen, Southern Methodist, and Irving Pfeffer, UCLA.

### Variety Of Subjects

Sunday luncheon, "Inflation and Life Insurance," F. J. McDiarmid, Lincoln National Life.

Sunday afternoon, "The Insurance Curriculum in College and University Education for Business," Harold C. Krogh, University of Kansas; "The Insurance Curriculum," Harry J. Loman, University of Pennsylvania; discussion, William Howard, University of Florida; W. O. Bryson Jr., Morgan State College; and Robert M. Stevenson, Texas A&M. Reports on research in progress, Richard M. Heins, University of Wisconsin, chairman. "Unattended Problems in the Making and Regulation of Fire Rates," Harry J. Solberg; "The Optimum Growth Rate for a Multiple Line Carrier," Irving Pfeffer; "Workmen's Compensation and the Handicapped," C. Arthur Williams; "Automobile Insurance Cost Problems—a New Jersey Case Study," John Adams and Philip Elkin; "Unemployment Compensation Benefit Problems," Theodore Bakerman; "The Control of Over-Utilization of Health Insurance," O. D. Dickerson, and "Health Insurance for Retired Persons," Frank G. Dickinson.

Monday morning, "Taxation of Insurance," Frank J. Schwenker, University of North Carolina, chairman; "General Survey—the Total Impact," John W. Cowee, University of California; "Taxation of Life Insurance Companies," Robert L. Hogg, Equitable Society; "Taxation of Property and Casualty Insurance Companies," George D. Haskell, American Mutual Insurance Alliance.

Monday luncheon, "Current Trends in Insurance," James C. O'Connor, editor FC&S Bulletins; presentation of the 1958 Elizur Wright award for outstanding contribution to insurance literature.

Monday afternoon, "Problems in Insurance Regulation," Arthur Mason, Washington University, chairman; "Antitrust and Regulation Problems in Insurance," Victor Hansen, U. S. Department of Justice; "A Regulator Faces the Facts," Commissioner Joseph S. Gerber of Illinois; business session.

Walter G. Dithmer of Western Underwriters Assn. is in charge of arrangements.

### Milwaukee Managers Elect

Milwaukee Casualty Insurance Claims Managers' Council has elected Ray P. Watry, U.S.F.&G., president Emery C. Shaft, Glens Falls, was named vice-president, and Melvin T. Lee, Lumbermen's, secretary-treasurer.



## Studies, Reports Heard At Meeting Of NAIA Executive Committee

At National Assn. of Insurance Agents' executive committee meeting in New York City, a preliminary review of the national flat cancellation study, conducted by the agency management committee, was presented by Floyd Rice, Warren, Pa., chairman. He said the report was in its final stages and should be completed shortly after the first of the year. He also reported on the agency cost survey and praised Connecticut association for their handling of it. Requests for a similar survey have been received from Florida, Iowa, Ohio and Tennessee.

Frank R. Bell Jr., Charleston, W. Va., chairman of the NAIA property insurance committee, reported that the homeowners policy already has been approved in Georgia and filed in 11 other states.

Among other subjects brought up for discussion at the meeting were the merger of Springfield F.&M. and Monarch Life, the suggested tie-in advertising program for the tobacco industry, revision of state and municipal self-insurance, development of Travelers' personal lines offices, the association's public information program, and NAIA traffic safety programs.

Joseph A. Neumann, Jamaica, N. Y., chairman of the national advertising program, reported that many regional and area chairmen have reported fine starts. George J. Margaff, Philadelphia, stated that NAIA was in good financial condition. Maurice G. Herndon, Washington representative, reported on activities there.

Morton V. V. White, Allentown, Pa., chairman of the special committee on federal affairs, reported on a meeting in Washington, D. C., concerning the unsatisfied judgment fund plan there.

Geoffrey Potter, NAIA convention

manager suggested that greater interest in convention booths might be generated by numbering convention programs and listing the booths. The delegate would have his program stamped at each. When all booths have been visited, the delegate would become eligible for a prize to be awarded at the end of the convention.

A new seating arrangement for the annual convention banquet advanced by the Tennessee association was discussed. The plan would use a drawing system in which the state association holding the lowest number would have first opportunity to select the position for its then registered delegates.

A report on the casualty insurance committee was made by J. O. Hatch, Savannah, chairman. Reports from the special committee on nuclear energy and the fidelity and surety committee were given, and a report on compulsory auto was made by Hayne P. Glover Jr. of Greenville, S. C. Several bids from various states seeking the NAIA annual convention in future years were discussed.

## Mich. Agents' Brochure Attacks Proposal To Self-Insure Schools

Michigan Assn. of Insurance Agents has launched a strong defense against a proposal to establish a state self-insurance fund covering public school properties. The program would be mandatory for all areas except Grand Rapids, Detroit, Flint and possibly Lansing.

The plan, sponsored by Michigan Assn. of Public School Business Officials, already has been reduced to actual bill form, copies of which are being circulated among school officials, along with arguments in its behalf.

The agents' association now has countered with a brochure entitled "A Difference of Opinion" which is being widely distributed among members to be given to school board members and other interested persons who might have considerable influence in blocking legislation of this character at the 1959 session which convenes in January.

The agents caution that "the administration cost and premiums of the fund would be deducted from state aid; some sections of property would be left to the state police; investment of reserves would be determined by the state treasurer; mechanics of loss payment would be assumed by the auditor general; and, by implication, a good many other state agencies would be called upon to provide the numerous services which private insurance affords. Maybe it can be said that this results in protection 'without cost to the district'. But it certainly is not without cost to government—perhaps an even greater cost than that now represented by private insurance premiums."

The agents' document further notes the strange method of allocating premiums, on a per pupil basis. "This has resulted," it is stated, "in an extraordinary distortion of insurance experience. Fire insurance rating schedules measure the relative hazard of risks—not people." The agents also challenge the claimed support for the plan by not only the school business officials but Michigan Assn. of School Administrators and the department of public instruction. They charge the assumption that the proposed fund could never become inadequate is fallacious in the light of past experience.

## Rudy

Safe driving programs for large fleets are A. R. "Rudy" Greaver's specialties at Buckeye Union. He has been responsible for retaining many large risks on an agent's books by installing effective programs that greatly reduce accidents. Every case is different, and "Rudy" handles each individually. That's why he is so much in demand. Our agents are always after him to set up a safe driving program, or to engineer a large general liability risk. These services provided by "Rudy" and the Safety Engineering Department are typical of those offered to both agents and policyholders of the Buckeye Union Companies. If you'd like to know more about these services, contact our agency superintendent or the branch office nearest you.

### BUCKEYE UNION INSURANCE COMPANIES

Box 1499, Columbus 16, Ohio

Branch Offices: Ohio, Akron, Cambridge, Canton, Cincinnati, Cleveland, Columbus, Dayton, Lima, Mansfield, Toledo; Indiana, Indianapolis, Fort Wayne, South Bend; Michigan, Grand Rapids, Detroit; West Virginia, Huntington, Parkersburg; Kentucky, Louisville; Pennsylvania, Pittsburgh, Lancaster.

In the last two years, the 18 leading mapping company groups **SAVED** over \$34 MILLION through lower loss ratios on fire insurance alone!

Yes, Sanborn maps pay for themselves many times over in lower loss ratios. A study of Best's Fire & Casualty Aggregate and Averages for 1956-57, for instance, shows a two-year fire loss ratio average of 50.1 for the 18 leading mapping company groups compared to 53.7 for the 16 leading cording groups. In actual dollars, this means the mapping groups would have paid over \$34 million in additional losses if they have suffered the same average loss ratios as the cording companies!

Companies interested in detailed mapping-versus-cording facts and figures are invited to get in touch with our Pelham, New York, Chicago or San Francisco offices.




### SANBORN MAP COMPANY

Home Office: 629 Fifth Avenue, Pelham, N. Y.


NEW YORK CITY: 85 John Street

CHICAGO: 220 S. State Street

SAN FRANCISCO: 530 Washington Street



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The same liberal contract  
at the same low cost.  
Only the name has been changed.

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MUTUAL ASSOCIATION  
DUTTON STAHL, President  
DES MOINES

FORMERLY IOWA STATE TRAVELING  
MENS ASSOCIATION

## Juries Are 20% More Generous Than Judges

(CONTINUED FROM PAGE 8)

and there is the possibility of error. I have a choice of giving the plaintiff something which he does not deserve, or finding for the defendant, who, if I am wrong, really ought to pay. The question is which error is more serious." Dr. Zeisel does not think that jurors can be blamed for looking at the financial power of the two parties. The question, of course, is whether the jury does this only in really close

cases, but the overwhelming 80% agreement with the judge makes this probable.

Dr. Zeisel said that the problem of regional variations in court awards is closely related to the rate making end of the business. Unfortunately, insurers have not helped much in determining the causes of regional differences in rates. All they care about is the average damage figure per in-

sured car. But there is more than one component affecting the damage level in an area. The factors are number of accidents, severity, the level of claim consciousness, and the size of damages paid for a given accident. Data in insurers' files would provide an interesting study of how these elements contribute to high or low rates in different sections.

### Sectional Differences

Using 100% as the national average, Dr. Zeisel noted that jury awards

are 50% higher—120% over 80%—in the large cities in the east and in the west than in the small cities and rural areas of the midwest and south.

He pointed out with respect to claims consciousness that accident rates per hundred cars vary all the way from New York City, with more than 8% per year, down to Detroit which has only 1.8% accidents. It seems that in New York, people try much harder to "get something" out of insurers, but this is not quite the case. While the difference in accident claims is startling, New York simply has more accidents than Detroit. The first thing to do therefore, is to see whether the claims follow the accidents, and by and large, that is true. The areas with higher claim ratios for bodily injuries also have a higher accident rate.

### Has Different Meanings

Claim consciousness may mean very different things, Dr. Zeisel continued. A claim may not be pursued, simply because the defendant has no money or insurance. Therefore, lower claim ratios must be expected in states where defendants are in the lower income brackets and where there is no compulsory insurance. At the other extreme are fraudulent claims. Nothing is gained by talking to claimants as to whether their claims are honest. But if there is such a phenomenon as claim consciousness in a community, it should show up in connection with other types of insurance than automobile.

The study therefore compared the claim ratios for automobiles—standardized per hundred cars—with the ratios for store liability per 1,000 square feet of store or per \$100,000 of sales. These comparisons showed an amazing similarity. A large number of claims for property damage are followed by claims for bodily injury at some later time. The study calls these "second thought" claims. It is the varying proportion of these claims which account in great part for the different level of claim consciousness in various communities. The claims ratio also varies inversely with the business cycle.

### Urges Data On Poor Risks

In a question and answer period, following his talk, Dr. Zeisel remarked that one of the real shortcomings of insurer statistics is that they hardly ever report at what stage of the process a claim was settled. This could be before a lawyer got into the picture, during the time he had the case, but before suit was filed, after suit was filed, during the trial, or as a result of a jury or court



## Another Hartford Extra for Hartford Agents: Roadside Signs bring prestige and sales

Within the space of a few months, more than 3,300 Hartford Roadside Signs made of Scotchlite\* reflective sheeting have sprouted along busy American highways.

These displays are working day and night for the local agents who participate in this Hartford program. Equally significant, they comprise a powerful and constantly growing advertising network which benefits all Hartford agents.

Over 16,000,000 people read Hartford Roadside Signs every day. This is a powerful "grass roots" supplement to the compelling Hartford advertising which appears regularly in Reader's Digest, Saturday Evening Post, Life, Look, National Geographic, Farm Journal and other magazines.

The Hartford Agent who participates in the Roadside Program identifies himself with this national advertising, obtains the major benefits of association with the name Hartford and the widely recognized Hartford Stag. His signs have tremendous local advertising impact!

90% of the people in his trading area will see his attractive Roadside message at least once a month. The

average prospect will see the sign about fifteen times a month. And Roadside Signs have more remembrance value than any other form of advertising.

Little wonder that Hartford agents are enthusiastic about their new Roadside Sign Program. Says one agent: "I've used circulars, newspapers, radio—everything—but my Roadside Sign beats all. It's the first time customers by the dozen ever mentioned my advertising!"

So add another to the already long list of Hartford extras—the Roadside Sign Program. It works 24 hours a day for agents associated with the Hartford.

\*Scotchlite is the trademark of the Minnesota Mining and Manufacturing Company.

Year in and year out you'll do well with the  
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ward. These statistics would be most valuable and would require only one additional column on an IBM card. The more attention insurers paid to evaluating their own data, the less money they would lose. One successful company has a special vice-president in charge of nothing but trying to figure out new runs on IBM cards to separate the sheep from the goats in the matter of risks.

#### Claimed As Specialty

When asked about the contingent fee system, he said it was an American specialty. In Europe and even in Canada, it is ground for severe disciplinary action by the bar. The argument for the fee is simply that even the poorest person can get the best lawyer if he has a good case. This is not an easy argument to answer. One of the arguments against the fee is that the plaintiff has no way of recovering the whole of his damages. In Europe, the losing side must pay its own and its opponent's lawyer's fees.

Some of the study data discussed by Dr. Zeisel will be included in much greater detail in a forthcoming publication, "Delay In the Courts," soon to be published by Little, Brown & Co.

#### Fund Fetes Brinkman.

#### Mauritson At Chicago

A luncheon was given at the Engineer's Club in Chicago by Vice President E. D. Lawson and the executives of the Fund's western department office in honor of Fred Brinkman, Kansas City manager, and Henry L. Mauritsen, state agent in charge of fire operations at Milwaukee.

Mr. Brinkman is retiring under the Fund's retirement plan and Mr. Mauritsen is going into the agency business in Kenosha, Wis.

#### San Diego Casualty Men

#### Name New Officer Slate

Casualty Managers & Underwriters Assn. of San Diego elected Robert Wade of Ohio Farmers president at the recent annual meeting. Other officers named were William Custer, Fidelity & Casualty, vice-president; Gordon Wiedrick, Harbor, secretary-treasurer, and Robert Howell, Northwestern National, director.

#### Cogan Joins Norwich

Norwich Union has appointed Robert E. Cogan special agent for Ohio. He was previously state agent of Royal Exchange there. He will make his headquarters in Columbus.

#### Increases Dividend 33½%

Interstate Fire & Casualty has declared a 40-cent dividend for stock of record, Dec. 4, payable Jan. 2. This is a 33½% increase over last year.

#### WE MAKE SELLING LIFE INSURANCE EASY FOR YOU

That's why each year more and more casualty agencies have been selling SUN LIFE policies. - - - and also that's why SUN LIFE has grown continuously so that today we have OVER ONE HALF BILLION DOLLARS OF INSURANCE IN FORCE

Grow with us, we will not just put you in the life insurance business, but we will give you the kind of prompt, personalized service you need for a profitable operation.

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General Agents contracts are available in N. J., Del., Md., Va., Ohio, Ind., Ill., Pa. and D. C. Write in confidence to E. Frank, Director of General Agencies.



## U. S. Chamber Insurance Group To Eye WC Issue

A. L. Kirkpatrick, manager of the U. S. Chamber of Commerce insurance department, in a letter to members, stated that federal workmen's compensation will be an important issue at the Jan. 28-29 meeting of the insurance committee. He referred to the AFL-CIO drive for a federal system of WC benefits, and with federal WC for radiation hazards as an initial step. Mortimer E. Sprague, vice-president of Home and chairman

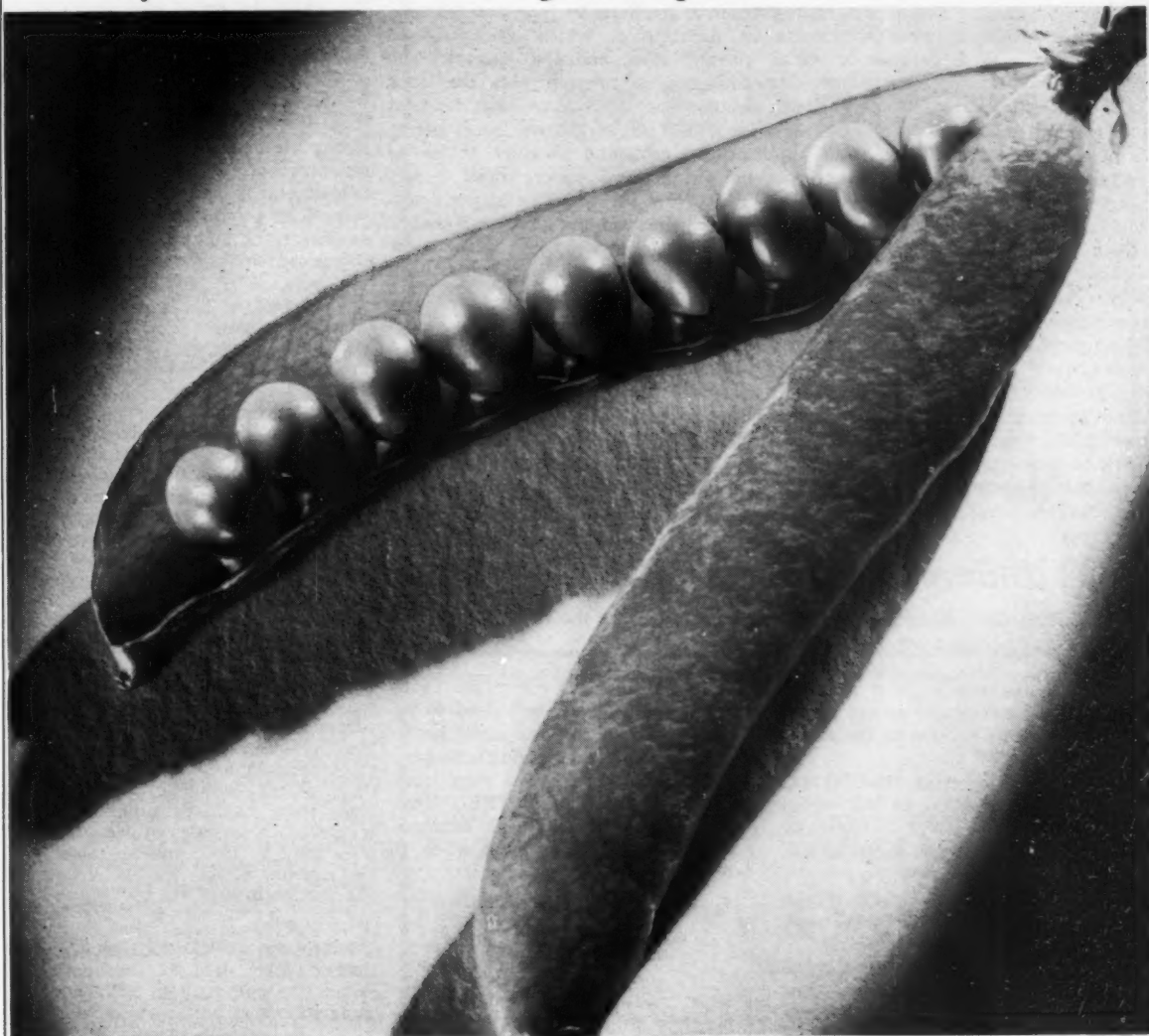
of the committee, has named a subcommittee to formulate the chamber's action program. A recent meeting was held in Chicago with business leaders from 18 states to alert them to the need for reexamining their state WC laws and to keep them abreast of current needs.

#### Discuss Problems, Solutions

Mr. Kirkpatrick said committee members are meeting with cabinet

officers and other agency heads to explain chamber and industry views on several issues and problems and to discuss possible solutions. Among these issues are methods of financing health care costs, which will be given careful examination by the new Congress along with the Forand Bill to provide federal hospital and medical care to social security beneficiaries. Also being discussed is the current practice of Veterans Administration of furnishing free hospital care in non-service connected pensions.

"Unforeseen events...need not change and shape the course of man's affairs"



## Peas aren't people

People may look alike . . . but looks can be deceiving. You can't always tell what goes on *inside*. Too often, unforeseen pressures turn honest people wrong—*after they're hired*. And without warning. Embezzlement and other employee dishonesty can ruin a business. Your business, perhaps, unless you're protected. Be safe. Be thorough. Cover each and every employee with a blanket Maryland Fidelity Bond. It's an investment in *guaranteed honesty*. Call your local independent agent or broker who represents the Maryland in your community. *Because he knows his business, it's good business for you to know him.*

## MARYLAND CASUALTY COMPANY

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A Maryland Fidelity Bond is only one of many forms of Maryland protection for business, industry, and the home. Casualty Insurance, Fidelity and Surety Bonds, and Fire and Marine Insurance are available through 10,000 agents and brokers.

Another striking advertisement to help build more business for the local agent or broker by dramatizing the importance of his service and availability.

## Editorial Comment

### A Chance For Revolutionaries

Many speakers in the business are fond of saying that the country is going through a merchandising revolution. This has a ringing sound and even looks profound on paper. There's only one thing wrong—it's not true.

These speakers and many of their colleagues think they are going through a revolution when all they're being asked to do is go back to work. Perhaps that's revolutionary in itself.

Edward Gelsthorpe, vice-president and general manager of Bristol-Myers products division, recently told the Harvard Marketing Club that there really is no revolution in our distribution system. At the same time, he saw a resurgence of the "bell ringing, asphalt pounding salesman." A century or so ago, Mr. Gelsthorpe said, many products were sold by house to house peddlers. Then came the general stores, then specialized shops selling dry groceries, meat, fish, tobacco and other products. Next came the chains like A&P. From chains came supermarkets which are in effect nothing more than modern general stores with self service. And today, ironically

enough, Mr. Gelsthorpe concluded, there is an increasing number of house to house salesmen and the marketing distribution cycle thus seems complete.

This could hardly be called revolution. It's closer to an evolution which sometimes backtracks upon itself and borrows temporarily forgotten features of distribution which are vital to current merchandising success. The insurance business—notably the stock agency type of operation—has not kept pace with this long term trend, partly because economic pressure to do so did not become severe until recent years. Now the pressure is constricting and the business has found that it must change its ways in a hurry. That is why some in it may think the revolution has arrived.

But without quibbling any further, it is heartening to note Mr. Gelsthorpe's reference to the increasing number of house to house salesmen. Here is an opportunity for agents who think they're in a revolution to get out and join the parade. If they don't do it voluntarily they may be drafted.—J.N.C.

### Don't Underestimate Sen. O'Mahoney

Sen. O'Mahoney's disappointing performance at the recent annual meeting of National Assn. of Independent Insurers should not mislead anybody into underestimating the power of the Senator when he returns to his investigating.

At the NAII meeting, Sen. O'Mahoney seemed to want to talk about numerous other matters a lot more than about the insurance investigation. What little he said about the investigation, both in his talk and at the press conference, seemed vague and at times cryptic.

But when he is playing on his home field the Senator is anything but vague and cryptic. He is a sharp-minded inquisitor, whose effectiveness is enhanced by the graciousness and suavity with which he asks those innocent-sounding questions. At the NAII meeting Sen. O'Mahoney was simply not telegraphing his punches. He said what he wanted to say about the investigation and then fell back on the communist menace or whatever other topic he felt like discussing rather than revealing more about his insurance probe than he felt was strategically sound.

A congressional committee investigation is a form of trial by combat—and the inquisitors are operating in their home territory and setting the rules for the contest. The way it works out is that a witness can figure he is going to be regarded as guilty until he can prove himself innocent. If he oversimplifies his answer to a question, in order to make it intelligible to non-technicians, he is likely to be tripped up. If he tries to be technically accurate, he will probably be put in an unfavorable light as one who is

trying to confuse the issue by double-talk.

Those who sat through the temporary national economic committee hearing of 20 years ago won't need to be told how a committee can make headlines with nothing very much to base them on. But there is one significant change since the days of TNEC. That is the fact that the insurance business is subject to federal control when it

operates interstate, and the states now regulate it only on congressional suffrage. Congress doesn't need a constitutional amendment to get back all or part of the control that it ceded to the states in public law 15.

The O'Mahoney investigation is part of an anti-monopoly inquiry, but it is obvious that it can cover a lot of territory that is not strictly within the anti-monopoly corral. Sen. O'Mahoney is not shying away from any phase of real or fancied state regulation weakness just because there is no obvious monopoly angle involved. He wants to know and is likely to find out if abuses exist and if the federal government has the authority to deal with them—also if states have the authority to deal with them, and, if so, are they exercising it. There is a strong implication that if federal legislation or regulation is needed, Sen. O'Mahoney is the man to make the point with effect.—Robert B. Mitchell, executive editor of THE NATIONAL UNDERWRITER Life edition.

## Deaths

**JOHN T. BARKER**, 81, former attorney general of Missouri and special counsel of the insurance department of that state, died of a heart attack at Kansas City. Mr. Barker will be best remembered in Missouri insurance circles as special counsel of the Missouri department in litigation involving fire insurance rates which began in 1922 and was finally concluded this year with a determination as to the distribution of unclaimed premiums and refunds. In the opening major battle of the long drawn-out litigation, Mr. Barker won a victory in the U. S. Supreme Court against the stock companies, a decision based upon a legal technicality without the basic issue being considered by that tribunal. He was also attorney general from 1912 to 1917, and an unsuccessful candidate for the gubernatorial nomination in 1916.

**JOHN R. KLINE**, vice-president of Calvert Fire, died at Baltimore. He joined the company in 1952 and became vice-president three years later.

**THOMAS C. GRACE**, 66, of the Baton Rouge local agency of Bynum & Grace, was found in his office, fatally shot. A gun was found near the body. He was a director of Lafayette Ins. Co.

**ROBERT R. GRUBBS**, 54, vice-president of the Ketchen Bros. & Kennedy agency of South Bend, died of a heart attack.

**WILLIAM F. HEGEMAN JR.**, 66, owner of the Bovard agency of New Orleans, died at Mercy Hospital there.

**ALBERT B. COMBS**, 60, partner in the Combs Insurance agency of Portland, Ore., died of a heart attack. He was a past president of Oregon A&H Managers Assn.

**GEORGE S. McKEARIN**, 84, general agent of Travelers Indemnity at Hoosick Falls, N. Y., died. He had been with the company more than 50 years. He also had offices at 116 John street, New York City.

## Stocks

By H. W. Cornelius, Bacon, Whipple & Co.  
135 S. LaSalle St., Chicago, December 18, 1956

	Bid	Asked
Aetna Casualty	174	178
Aetna Fire	79½	81
Aetna Life	226	230
American (N. J.)	28	29
American Motorists	15¼	Bid
American Surety	18½	19½
Boston	35	36
Continental Casualty	109½	111
Crum & Forster com.	64	66
Federal	59	61
Fireman's Fund	59	60
General Reinsurance	69½	72
Glens Falls	34	35
Globe & Republic	21½	22½
Great American Fire	44½	45½
Hartford Fire	175	180
Hanover Fire	43	44½
Home (N. Y.)	47	48
Ins. Co. of N. America	132	135
Jersey Ins.	36½	38½
Maryland Casualty	40¾	42
Mass. Bonding	41¼	42
National Fire	102	106
National Union	41	42
New Hampshire	41	42½
North River	38	39½
Ohio Casualty	24	26
Phoenix Conn.	77	79
Prov. Wash.	19	20
Reinsurance Corp. of N.Y.	17	18½
Reliance	46	47½
St. Paul F. & M.	58	60
Springfield F. & M.	34	35½
Standard Accident	56½	57½
Travelers	98	98
U.S.F. & G.	75	76½
U. S. Fire	31	32½

## The NATIONAL UNDERWRITER



The National  
Weekly Newspaper  
Fire and Casualty Insurance

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CHICAGO 4, ILL.—175 W. Jackson Blvd., Tel. Wabash 2-2704. A. J. Wheeler, Chicago Manager. R. J. Wiegand and William D. O'Connell, Resident Managers.

CINCINNATI 2, OHIO—420 E. Fourth St., Tel. Parkway 1-2140. Chas. P. Woods, Sales Director. George C. Roeding, Associate Manager. Arthur W. Riggs, Statistician.

CLEVELAND 14, OHIO—1367 E. 6th St., Lincoln Bldg., Rm. 208, CH 1-3396. Paul Blessi, Resident Manager.

DALLAS 1, TEXAS—309 Employers Insurance Bldg., Tel. Riverside 7-1127. Alfred E. Cadis, Southwestern Manager.

DENVER 2, COLO.—234 Commonwealth Bldg., Tel. Amherst 6-2725. J. Robert Ebelhardt, Rocky Mountain Manager.

DES MOINES 9, IOWA—327 Insurance Exchange Bldg., Tel. Atlantic 2-5968. D. J. Stevenson, Resident Manager.

DETROIT 26, MICH.—613 Lafayette Bldg., Tel. Woodward 5-2305. William J. Gessing, Manager for Indiana and Michigan.

INDIANAPOLIS 20, IND.—5634 N. Rural St., Tel. Clifford 3-2276. William J. Gessing, Manager for Indiana and Michigan.

MINNEAPOLIS 2, MINN.—1038 Northwestern Bank Bldg., Tel. Federal 2-5417. Howard J. Meyer, Northwestern Manager.

NEW YORK 38, N. Y.—17 John St., Room 1401, Tel. Beekman 3-3958. J. T. Curtin and Clarence W. Hammel, New York Managers.

NEWARK 2, N. J.—10 Commerce Ct., Tel. Market 3-7019. John F. McCormick, Resident Manager.

PHILADELPHIA 9, PA.—123 S. Broad St., Room 1027, Tel. Pennypacker 5-3706. Robert I. Zoll, Middle Atlantic Manager.

ST. LOUIS 2, MO.—221 Pierce Bldg., Tel. Chestnut 1-1634. Geo. E. Wohlgenuth, Resident Manager.

SAN FRANCISCO 4, CAL.—582 Market St., Tel. Exbrook 2-3054. Robert L. McMullen, Pacific Coast Manager.

### CHANGE OF ADDRESS

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## Personals

Walter Gherardi has been made a partner of Chubb & Son. He has been with the organization since 1927 and is manager of the hull and yacht department. He is a director of United States Salvage Assn., a member of American Committee of Lloyd's Register, American Bureau of Shipping, and Maritime Assn. of the Port of New York. During the war he was director of large vessels procurement for War Shipping Administration.



Walter Gherardi

Thomas J. Ocacek, fire prevention department manager of Western Actuarial Bureau, has been appointed chairman of the contest committee of National Inter-chamber Fire Safety Contest sponsored by U. S. Chamber of Commerce.

Sam T. Morrison, former head of the Iowa City agency of S. T. Morrison & Co., who is now retired and living there, has been reading THE NATIONAL UNDERWRITER for 50 years, which entitles him, he believes, to the title of the paper's oldest continuous subscriber. Mr. Morrison still takes and reads the paper and keeps up an extensive correspondence with insurance men over the country.

Stuart D. Menist, San Francisco resident vice-president of Fireman's Fund, has been elected to the board of San Francisco chamber of commerce for 1959.

Mrs. Hugh H. Murray Jr., wife of the Raleigh, N. C., agent who is past president of American Institute and National Assn. of Mutual Insurance Agents, fell at the Murray home last week and suffered serious injuries. She is confined to the Rex Hospital there.

### Whiteford In New Post

Daniel J. Whiteford has been promoted to casualty manager by Metropolitan of Chicago. He started with Phoenix of London in 1949, leaving in 1954 to go with Yorkshire. He joined Highway Ins. Co. (now Metropolitan) in 1955.

## Tex. Board Drafts Legislative Bills

AUSTIN—Some 38 proposed measures, featured by two that would authorize continuous certificates of authority for licensed companies and similar certificates for agents, comprise the recommendations of the Texas insurance board for new legislation during the session of the legislature that convenes in January.

The board also desires clarification of various articles in the insurance code and urges appointment of an interim legislative committee "to study the need for a complete revision" of the code. Many of the proposals are aimed at setting up uniform procedures.

Some of the recommendations were: For the board—return members to full-time basis; create a special operation fund; make it unlawful for an insurance man to make a gift to a board or staff member, and authorize blanket bonds for board and staff members.

For Texas companies generally—make the business corporation act applicable where not in conflict with the code; liberalize merger and consolidation laws; make uniform the articles of incorporation for all types of companies; prohibit investments in another corporation owned by an officer or director, and provide additional authority over secondary sales of company stocks.

For further regulatory powers—subject county mutuals to rate regulation; require licensing of attorneys-in-fact that act as agents; provide for licensing of general agents; provide authority over employee welfare and pension plans, and amend the article on re-insurance.

### Mutual Bureau Raises

#### Wis. OL&T BI Rates

Mutual Insurance Rating Bureau has increased OL&T BI rates in Wisconsin and M&C BI rates in New Jersey, and has revised payroll limitation rules for the latter state.

OL&T BI rate increases in Wisconsin average 17.5% for area and frontage classifications. In New Jersey, the M&C BI rate increases average 7.2%.

Paul Smith & Co., managing general agency of Birmingham, has taken on representation of United Public of Indianapolis, Jefferson of New York and Mid-Union Indemnity of Elgin, Ill.



## MEANS

### Make the Difference

Don't hunt elephants with a slingshot. And don't try to place jumbo risks through facilities without means to handle them. For Excess & Surplus lines, you're sure of top-flight service for those big risks when you use Geo. F. Brown & Sons: one of the largest, most skilled staffs in the nation... completely modernized operations... proven experience underwriting many of America's largest firms.

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<b>IDAHO FALLS, IDAHO</b> 258 Broadway P. O. Box 293 JACkson 2-3431 (Day or Night)	
<b>SALT LAKE CITY</b> 428 South Main DAVis 2-2541	

## Urges Pan-American Reinsurance Pool

A hemispheric reinsurance organization was proposed at the Hemispheric Insurance Conference in Caracas, Venezuela, by William F. Delaney Jr. of Delaney Offices of New York, reinsurance brokerage firm. The organization would provide and promote a hemispheric reinsurance market for all members of the conference, he said.

Purpose would be to help spread the risk of reinsurance and to foster the expansion of a free hemispheric reinsurance market. The organization could be placed under the protective wing of the conference. It should discourage governmental control and encourage the free flow of currencies to meet reinsurance obligations. It would be a central point from which to oppose encroachments on a free and open reinsurance market and would help to fight monopolistic enterprises aimed at reducing the free market.

Since reinsurance is international in scope and aim, eventually some connection between the proposed hemispheric reinsurer and the European organization known as "Rendez-Vous of Insurers and Reinsurers," an outgrowth of meetings of International Union of Marine Insurers, could be established to enlarge still further the benefit of a world wide market for all of its members.

The last 10 years have seen a remarkable growth in the reinsurance market in the U.S., Mr. Delaney said.

There has been a considerable increase in the number of reinsurers.

He observed that a considerable amount of fire surplus business is placed on a reciprocal basis in the U.S., but there is not the same demand for reciprocity as exists in most Latin American countries. Brokers arrange reciprocity between two companies based on results so that the two treaties will be about equal in premium volume and loss ratio. The demand for reciprocity has lessened due to the poor results.

Reinsurance in the U.S. is free from governmental interference, he said. Insurers are at liberty to place their reinsurance where they wish. It is unlikely that the federal government will interfere in reinsurance unless private industry is unable to furnish satisfactory reinsurance to the companies. There is a favored treatment accorded to companies, native or foreign, which qualify to do business in the U.S. Reinsurance with a qualified company permits the ceding company to take credit for the reserves on re-insured business.

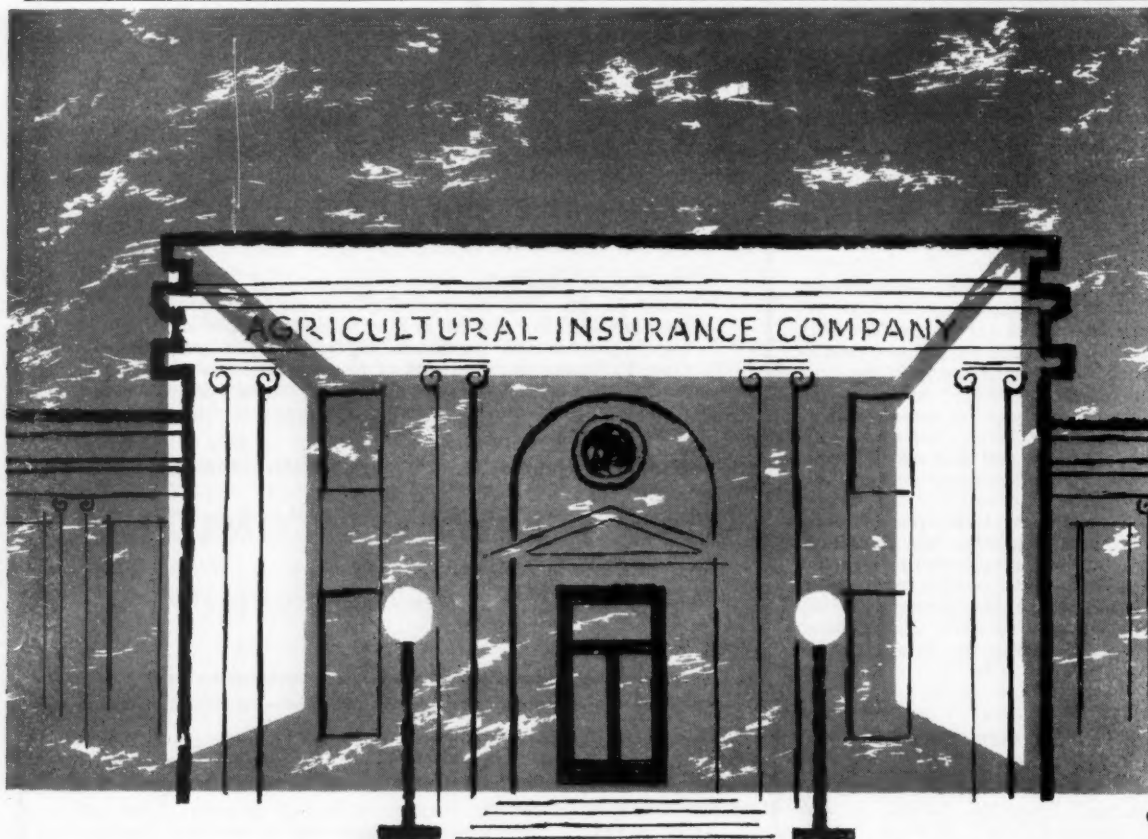
### Poor Loss Experience

The business in the U.S. has had a bad loss experience the past four years. This has had a depressing effect on U.S. insurers although there has been a large growth in the volume reinsured. The past two years have been unprofitable to most reinsurers in almost all lines except catastrophe, he said.

The high loss ratios have compelled the insurers, the reinsurers and the brokers to look for ways to reduce the cost of reinsurance and to improve its form, Mr. Delaney said.

Known plans of reinsurance have been examined to see which one can provide the least expensive reinsurance compared to a company's present plan. New forms of reinsurance are being put into operation with success. One is to put the various classes of business under one over-all reinsurance contract. Such a contract can cover fire, casualty, automobile, ocean and inland marine risks. In general, the classes are written on a deductible basis with a maximum liability on the part of the reinsurer for any loss in any one event. The rate is determined by negotiation or by a rating plan governed by past experience.

The large increase in direct premium writings has led to an increase in the deductibles in excess of loss reinsurance contracts. But Mr. Delaney doubts whether the raising of the deductibles has kept step with the in-



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increase in the capital and surplus of the companies. Ways have been sought to simplify the surplus treaty system for fire. One simplification has been the use of the percentage method. Instead of allocating a number of lines on each risk to the treaty, a line sheet is drawn up providing for the allocation of a definite percentage of the entire risk depending upon its classification and the amount insured. The use of percentage reinsurance means one punch of a card and the other calculations are then done by the machines. Electronic machines are playing an important part in the reduction of expenses.

**No More Bordereaux**  
Bordereaux are no longer furnished. This involves a discontinuance in most cases of loss bordereaux as well. Instead, monthly accounts are rendered to the reinsurer which show only the premiums ceded to the reinsurer, the commission due the ceding company and the total of the reinsurer's share of losses for the month. Some companies have changed from a surplus treaty over to a quota share method in anticipation of saving in expense of office work. To protect ceding companies from a loss larger than they would ordinarily have under a surplus treaty, the ceding company takes an excess of loss cover for single risks of, say, \$50,000 in excess of \$15,000, in addition to its quota share treaty. There is some saving of expense but such a change results in an abandonment of reinsurance underwriting by the ceding company. Under a surplus method, a ceding company decides how much it will keep on each risk and how much it will cede to the surplus treaties. The surplus treaty method results in a better selection for the ceding company. A large risk can be more easily and wisely spread over several surplus treaties.

**Difference Of Opinion**  
There is a variation of opinion as to how much is saved by changing to a quota share treaty, he noted. Some companies believe they save thousands of dollars; others figure their cost in operating a surplus treaty already is down to a low figure, less than one-half of 1%. Mr. Delaney has developed a plan which combines surplus, quota share and excess of loss features. Here all business is ceded on a quota share basis with the right by the ceding company to vary the percentage reinsured on any risk. This retains the surplus feature of giving the ceding company the right to exercise its underwriting judgment. A plan of this type is good when a company writes a standard pattern of business. There is an increasing use of the spread loss cover, an excess-of-loss cover for which the rate is determined by the average of losses to the cover during the preceding five or

three years. It has not yet replaced the surplus treaty method in the fire business but is gaining adherents, he stated. Spread loss is especially useful when a company has a premium volume of at least several million dollars and writes dwelling and mercantile classes of business. More companies would like to adopt it if they had sufficient capital and surplus. Its use results in a simplification of work in the reinsurance departments and a reduction in cost of reinsurance operation.

One of the best and simplest forms of reinsurance, the stop loss cover, has not gained wide acceptance in the U.S., he commented. It is a simple and good cover in that it protects the ceding company if its loss ratio exceeds a figure which the ceding company determines it can afford. The reinsurer will pay losses over 55% or 60% up to a maximum of, say, 75% or 80%.

Until recently, U.S. reinsurers have, with few exceptions, confined their activities to reinsurance of business

there. A desire for more business and adverse U.S. results have caused them to look to other countries for additional reinsurance premiums. In 1949, he said, approximately \$2 million was ceded to U.S. reinsurers from Latin American countries. This increased to \$8.3 million in 1957. The amount ceded to Latin America has increased from \$700,000 in 1949 to \$3 million in 1957.

The market in the U.S. for reinsurance of Latin American companies will continue to expand, he believes.



## Christmas in July

Conjuring up the "spirit of Christmas" in July comes under the heading of "advance planning" for those who are responsible for Standard Accident's advertising. And the July scene above . . . selecting a theme for the Christmas poster which is now on display in Standard Accident agencies . . . is typical of the advanced thinking, planning and preparation that is devoted to every phase of the Company's business-building advertising program.

This "early foot" enables Standard Accident to produce, year in year out, a well conceived, co-ordinated sales promotion and advertising campaign that few, if any, insurance companies can match for variety, quality and effectiveness. Perusal of the Company's *Reference List of Advertising and Sales Aids* reveals the variety of materials available . . . folders, inserts, booklets, diaries, book matches, blotters, stickers, radio and TV spots, everything imaginable covering

every type of policy in Standard Accident's complete multiple-line portfolio. As for quality and effectiveness, Standard Accident agents will attest to that.

Add to the foregoing a vigorous, consistent national advertising campaign in trade and consumer publications and you have a well-rounded sum total designed to help Standard Accident agents seek and sell potential customers and hold business presently on their books. And this is just one more example of the support and service that agents expect and get from Standard Accident Insurance Company.

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**STANDARD ACCIDENT INSURANCE COMPANY**

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## Springfield Clarifies Expiration Ownership

Springfield has informed its New Hampshire agents by bulletin that Monarch Life agents who sell fire and casualty coverages as licensees of New England Ins. Co., Springfield affiliate, will own their expirations.

Previously, New Hampshire Assn. of Insurance Agents had charged Springfield with direct writing plans and had alleged that Monarch agents would not own expirations. The association has now issued a bulletin to members, clarifying the previous misunderstanding and reproducing the text of Springfield's message to agents. This includes assurance that the company will consult with agency association leaders before merchandising plans are finalized, and that the latter will be in accord with the principles of the agency system which the company supports.

## Inland Marine Bureau Raises Ill. Mink Rates

Inland Marine Insurance Bureau has changed the rating formula on furs in Cook and Lake counties, Ill., putting mink in a separate classification. Previously, the same rate applied to all furs. On personal furs it was \$1.40 per \$100 on first \$10,000, \$1.20 on next \$40,000, 60 cents on next \$50,000 and 92 cents on entire amount when in excess of \$100,000. The new rates on personal furs for mink are \$2.40 per \$100 for first \$10,000, \$2.20 for next \$40,000, \$1.60 for next \$50,000 and \$1.92 on entire amount when in excess of \$100,000. On personal furs, excluding mink, the new rates are 90 cents, 75 cents, 40 cents and 59 cents, respectively. These new rates correspond with those in New York.

On furriers customers coverage, 1% has been added to the standard rate for all mink garments.

## Accident & Sickness

### Vermont Accident Sold To Agency At Boston

Control of Vermont Accident of Rutland has been purchased by the Higham, Neilson, Whitridge & Reid agency of Boston. Vermont Accident wrote \$1,051,000 in premiums in 1957 and had \$712,219 in losses plus \$29,883 of loss adjustment expense. Other expenses totaled \$297,623 for an underwriting loss of \$230,716. The company operates in Indiana, Maine, New Hampshire, Pennsylvania and Vermont, and writes individual and group A&S and hospitalization. It writes a considerable amount of accident cover on school children.

Officers of the company have been A. C. Mason, C. P. Mason, C. M. Deliveneri, and Dr. William W. Brislin. E. S. Pike is a director.

### Worman In A&S Post With American Casualty

American Casualty has appointed William G. Worman underwriting manager of its A&S special risk division. He will be in charge of all special risk, key man and unusual risk underwriting.

### IAAHU Names Rose As So. Cal. Board Member

Milton L. Rose, Paul Revere Life Los Angeles, has been appointed to the executive board of International Assn. of A&H Underwriters. He succeeds P. Kenneth Stoakes, Loyal Protective Life, Los Angeles, as southern California board member. Mr. Stoakes is vice-president of IAAHU.

### Milwaukee A&H Men Meet; Plan Kiddies' Yule Party

Members of Milwaukee A&H Underwriters Assn. heard Guy S. Williams, of U. S. Veterans Administration at the December luncheon. His subject was, "You Can't Sell Without It." The association announced that it would hold its Christmas party Dec. 19 for children of Milwaukee County Children's Home.

### Cragg, Van Urk Named To IAAHU Executive Board

Ernest E. Cragg, Washington National, and Fred T. Van Urk, United Benefit Life, have been named to the executive board of International Assn. of A&H Underwriters. Mr. Cragg replaces St. George Grinnan, and Mr. Van Urk succeeds Webster Hurley, Bankers L.&C., who is vice-president of IAAHU.

### F. G. Dickinson Retires

The retirement was announced last week of Frank G. Dickinson as director of the bureau of medical economic research of American Medical Assn. Mr. Dickinson intends to do consulting work and later on to conduct research under the sponsorship of a research foundation. He joined AMA in 1946 after having taught economics at the University of Illinois for 25 years. A past president of American Assn. of University Teachers of Insurance, Mr. Dickinson originated the Dickinson football rating system.

### Fla. Casualty Men Elect

Casualty & Surety Assn. of Florida, at the annual Christmas party in Jacksonville, elected Frank L. Garriot, Maryland Casualty president; Donald E. Barker, London & Lancashire and Charles J. Kelly, Hartford Accident vice-presidents; Frank C. Bonner, Fidelity & Casualty, treasurer; and Joseph Smith, American Surety, secretary.

American Casualty has appointed Robert K. Boyd regional manager for aviation accident and group travel lines, to serve agents of the Philadelphia and Washington, D. C., offices.

Ashford Mutual Fire and Erie & Niagara County Farmers Insurance Assn., of Williamsville, N. Y. have merged under the name of the latter company.



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**WOLVERINE INSURANCE COMPANY**  
BATTLE CREEK, MICHIGAN



## Wohlgemuth Retires From Rough Notes Co.

(CONTINUED FROM PAGE 2)

material for the insurance business. Today, Rough Notes Co. visual materials are widely used by insurance agents and its visual promotional pieces by companies.

During the war, from 1942 to 1946, Mr. Wohlgemuth also served as editor of the Insurance Salesman and initiated its highly popular monthly selling feature section.

For many years active in insurance organizations, he has 41 years of consecutive membership in the Indianapolis Life Underwriters Assn. and 35 in the Indianapolis Blue Goose. He is also a member of the General Agents & Managers' Assn. of Indianapolis, of the General Agents & Managers Conference of NALU, and of the Indianapolis, the Indiana, and International A&H Assn.

E. W. Wohlgemuth, a graduate of the University of Michigan and Harvard Business School, who joined the staff of the Rough Notes Co. in 1939 as a salesman and who has been, since his return from army service in 1946, manager of the pictorial advertising division and secretary of the company since 1949, will succeed his father in the presidency.

## Cincinnati Promotes Two, Adds To Capital Stock

CINCINNATI—Cincinnati Ins. Co. has elected R. B. Woods, formerly casualty manager, assistant secretary and R. J. Driehaus, chief accountant, assistant treasurer. Sale of an additional 4,000 shares of stock has increased the policyholders surplus to nearly \$1 million. Premium volume for 1958 is expected to increase more than 60%, to more than \$2.5 million.

Mr. Woods, who took over the casualty department in 1957, is a graduate of University of Minnesota and had been with Ohio Casualty for a number of years, his last position there being assistant manager at Springfield, Ill. Mr. Driehaus has been with Cincinnati since 1954.

## Providence Washington Names Sparlin In Indiana

Providence Washington has appointed Joseph E. Sparlin state agent in Indiana to succeed Warren Bess, who has resigned. Mr. Sparlin has been with Underwriters Adjusting for eight years, and has been in the southern Indiana field and assistant manager at South Bend for Home.

## Wilkinson In Ga. Field

North British has appointed George W. Wilkinson Jr. state agent for Georgia at Atlanta, succeeding Richard D. Sears, resigned.

## Sees Competition As Real Challenge Ahead

(CONTINUED FROM PAGE 9)

possibly to the special hazard classes. That, again, is a trend and a challenge. It can be met through superior service and an ever diligent eye upon costs of doing business.

In the last decade, and particularly the last five years, a greater percentage of the total available business and particularly the physical damage automobile business has gravitated to companies merchandising their product on a basis different from EUA companies, Mr. Polley noted. That trend is continuing. The fact that most of stock agency companies and their agents have increased their business during this period does not change the fact that they have lost position. They are writing a smaller percentage of the total business available. They have not secured and are not now securing as great a percentage of the business, as it becomes available, as they did 10 years ago.

This means, Mr. Polley believes, that to survive in the competition both EUA companies and agents must, in the foreseeable future, find ways to have profitable operations on a smaller percentage of the premium dollar than is now allocated to expenses. That trend is crystal clear. He said that he believes EUA companies are blessed with know how, ability and financial resources to meet these challenges successfully.

## Educational Grants Bring Appreciation Resolutions

American Institute for Property & Liability Underwriters and Insurance Institute of America have adopted resolutions expressing appreciation for financial grants made by Assn. of Casualty & Surety Companies. The resolutions were received by J. Dewey Dorsett, general manager of the association.

Other organizations receiving grants from the association include National Safety Council, President's Committee for Traffic Safety, New York University Center for Safety Education, American Assn. of Motor Vehicle Administrators and Northwestern University Traffic Institute.

## Rochester (N.Y.) Field Men Name New Officers

Insurance Field Club of Rochester, N. Y., at its recent election meeting named Walter L. Reardon of America Fore Loyalty group as president. Other officers elected include John W. Bartemus, New Hampshire, vice-president; Ronald MacDonald, Phoenix of London, chairman executive committee; Kenneth W. Horton, Hartford Fire, secretary, and G. Wesley Mantz of Boston, treasurer.

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TODAY'S best insurance buy for the homeowner or tenant is the residence package policy which combines fire, theft, and personal liability protection.

The quick acceptance of the "all-in-one" package has, in fact, opened up the whole field of the residence and personal lines to those agents who do the systematic promotion required to inform and sell the many buyers of these coverages.

A feature of the Grain Dealers AGENCY PLAN is the wide selection

of advertising material that is available to producers to aid them in getting a full share of the residence package business. All of it points up the two-way savings our packages provide: through low initial cost, and savings through policyholder dividends. Backed by our 56-year record of dependability, it's a package that is hard to top.

Our special agents can show you examples of this field-tested promotional material. Better yet, how to put it to work in your community. See one of them soon.

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## Oregon, Washington Assns. Reject UM Program

(CONTINUED FROM PAGE 4)

panies of the associations that they add UM coverage to all new and renewal policies. The record would indicate that there is so little UM coverage sold as to make this program completely impractical, coupled with the fact that while the associations recommend a program to their members, the rating bureaus which provide the rate-base are not included in this group, and apparently have no inten-

tion of adopting a more realistic rating program to stimulate the sale of this coverage.

### Experience Was Available

"This committee had available the experience of one of the largest writers of automobile insurance in the country, which markets its product through its own sales force, and whose procedures call for automatic renewal

on a direct-billing basis. The committee apparently ignored the figures this company made available to them, which indicated that even with their controlled agency plant, and in spite of a tremendous hard-sell approach to new customers, less than 20% of the new policies included UM coverage, even at their lower-than-Bureau deviated rate. Insofar as their renewal business is concerned, the coverage was added automatically, and the burden for removal of the coverage was placed on the insured. With this

program, 95% of the policies retained the coverage.

"Companies operating through conventional agency plants can obviously not duplicate this performance. In the first place, many agents will, for competitive reasons, not want to add an additional charge, at full market rates, to an already substantial premium increase; and secondly, many policies are written in the agent's office, and thus, in spite of company intentions, there is no opportunity to automatically include this additional coverage.

"... The committees, perhaps because their position is one of compromise and they seek justification for an inept solution, seem to feel that this coverage must be offered only with the insured having the right of rejection. This position is not defensible, since at other times the policies have been broadened without giving the insured the right of rejection, which has suddenly become so sacred."

## Streeter Succeeds Lever In Hartford Accident Post

Ronald M. Streeter has been named to succeed Harold B. Lever, retiring manager of Hartford Accident's Bridgeport, Conn., office. Mr. Lever held the post since the office opened in 1930. He operated a local agency in New Jersey prior to joining Hartford Accident. Mr. Streeter joined the company in 1941 in the home office liability department. Subsequently he served as instructor at the training center and was on the home office agency department staff. He was assistant manager of the company's Cleveland office before transferring to Bridgeport as associate manager.

## Boston CPCUs Elect

Andrew M. Innes of Middlesex Mutual Fire was elected president of Boston CPCU chapter at the annual meeting. Other officers are James R. McPherson of Nickerson-McPherson agency, and James A. Cotter of Travelers, vice-presidents; Mary M. O'Connell of Employers, secretary, and Richard E. Willey of Maritime Underwriters, treasurer.

New directors are Robert H. Butler of Travelers, Arthur S. Gay Jr. of Central Mutual, Herbert Smith of Jordan-Read agency, and Simon G. Peterson of Hardware Mutuals.

Arthur H. Roski has been appointed a trustee of Insurance Board of Cleveland.

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THE WESTERN ASSURANCE CO., U. S. Branch . . . . . Incorporated 1851

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## Phoenix Of Hartford Grows At Milwaukee

Phoenix of Hartford's Milwaukee office has been staffed to give complete multiple line service in addition to fire, marine, casualty, auto and surety. Inland marine and casualty business will now be reported directly to that office, which is headed by William L. Barren, manager.

Maurice P. Griffin has been appointed assistant manager, but will continue to cover a section of the state as will Edwin H. Knox, state agent. Arthur H. Black, special agent, has been appointed to head the casualty and bonding division, and Charles R. Johnson, special agent, and Richard L. Miller, examiner, have been transferred from Minneapolis and Chicago, respectively, to head inland marine operations.

Southwest Mississippi Assn. of Insurance Agents elected Hubert Godbold of Brookhaven, president; W. J. Byrne Jr., Natchez, vice-president; Rea Godbold, Brookhaven, secretary, and J. W. Burt, McComb, treasurer.

## Day To Succeed Collier For Hartford Accident

Secretary C. W. Collier, head of Hartford Accident's compensation and liability department, is retiring. He will be succeeded by Donald Day, who was recently elected secretary.

Mr. Collier joined the company in 1916 in the home office compensation and liability department and was named superintendent in 1940. He was elected assistant secretary in 1941 and secretary in 1948. Mr. Day joined the company in 1922 and was appointed assistant superintendent of the department in 1945. In 1950 he was elected assistant secretary.

Henry G. Mildrum was also elected secretary. His new duties include assisting Vice-presidents J. L. Barter and H. V. Williams in handling all casualty lines under their jurisdiction. Mr. Mildrum joined the company in 1926 and after serving as field engineer and home office supervising engineer joined the compensation and liability department. He was named assistant superintendent in 1945 and elected as assistant secretary in 1950.

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**PENNA. GENERAL Insurance Company**

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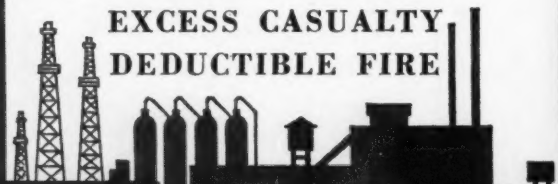
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MARINE • REPORTING FORM • FLOATER CONTRACTS  
NEW YORK CHICAGO SAN FRANCISCO

## Predicts California Agents Will Lose Suit; Sees Business In Era Of Basic Transition

(CONTINUED FROM PAGE 2)

lic for services performed by those doing the fixing, and a collective bargaining approach by one or both groups of parties to a transaction to fix the compensation to be paid by one group to the other. The anti-trust laws specifically exclude such situations. The courts, in California and elsewhere, have equated such dealings to collective bargaining even where the strict legal relationship between the parties is that of independent contractor rather than employer-employee, or that of an insurance agency relationship.

### Insurers Can Act Collectively

The obstacle of the rate laws themselves is a formidable one, Mr. Levit declared. The right of the insurers to act collectively in rate making is undoubted; and determination of rates must include determination of the factors entering into the total rate, one of which is production cost or commission.

It has been recently affirmed that the state regulatory authorities consider that the rate laws repose in them a power to pass upon the reasonableness of acquisition cost factors. He noted that a maximum reasonable schedule of commissions has been specified by the commissioners in the code of ethical practices relating to insurance of union welfare and pension funds proposed by a subcommittee of NAIC. Likewise, in testimony to the O'Mahoney Senate subcommittee a department chief of the New York department indicated that the department should not permit aviation insurance rates to be based upon elements of acquisition costs that were unreasonably high—in that case, payment of 50% of gross receipts for rental of airport space, despite the fact that this was the going rate. If the commissioners have this authority—and Mr. Levit does not doubt that they have—it would seem to follow that rating bureaus must be authorized to make such determinations in the first instance.

Mr. Levit observed that even if he is wrong as to the strictly legal aspects, it will not profit the agents to win the battle if by so doing they will lose the war which they and their companies must fight side by side for preservation of the agency system.

### Changes, Not Figures, Significant

The insurance industry in this country is in a period of fundamental and basic transition, Mr. Levit said. This period has been continuous for 15 years and may continue for another decade. The current good or bad times (depending on the color of ink used for the crucial figure on the balance sheets) are incidental to and

overshadowed by the changes that are taking place each day. It is the sum of these changes and the direction they take that will determine whether the industry is heading for an era of good times or bad.

It has been said that all problems of insurance ultimately relate to the rate structure. This is another way of saying that if the price is high enough to return an underwriting profit, all is well. Though profits are an absolute necessity for the continued existence of a business or an industry, Mr. Levit does not subscribe to the mechanistic or arithmetic school of thought which is becoming increasingly popular today.

"The basic thesis of this school is that if you are losing money it is because your prices are too low or (strangely enough) too high, or it is because your cost of doing business is too great. Ergo, raise your prices (if they are too low) or lower them (if they are too high), and in either event cut your costs."

Application of this thesis to the plight of stock insurers is simple, he said. The direct writers and the rate cutters are underselling the products and capturing the markets formerly monopolized by the stock insurers; by this means they are not only extracting a large percentage of the total market heretofore written by the latter, but they are siphoning off the cream of that market. To recapture the market, all that is needed is to lower prices to a competitive level, and lower costs as much as may be necessary to produce a profit at the lower prices.

### Answer Is Not So Simple

This is simple from a mechanical and accounting aspect. But, he asked, what assurance is there that the lowering of rates to meet the competition will not be offset by rate reductions by the competition? Is it possible practically to lower costs to the degree necessary to trigger the recapturing mechanism? If so, will the resulting changes in business methods further or hinder the industry's ability to best serve the public? Is price competition the only or even the primary factor in the ultimate gravitation of the insurance market to different types of insurers in more stable times? To what extent does the industry's present plight derive from general economic trends neither attributable to nor controllable by insurance operations as such? In a regulated industry such as insurance is it enough to approach marketing problems as though the industry were an uncontrolled and unregulated segment of the economy?

Mr. Levit conceded that present prices and pricing practices of stock insurers are not beyond criticism. There may be expendable fat within company operations, in inter-company operations, and in the commission and agency structure. In fact, critical examination and reexamination of all these areas is an immediate and continuing necessity; and if done, the results are bound to be reflected in an improved product, in lower prices to the insurance consumer, in lessening expense ratios, and in improved underwriting results. No effort must be spared to accomplish these ends by these means. The very stringency of



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## AROUND THE CLOCK



### JOHN H. HUNT & CO., INC.

**CHICAGO OFFICE**  
330 S. Wells - Chicago, Ill.  
Harrison 7-0830

**ELMHURST OFFICE**  
118 S. York - Elmhurst, Ill.  
Terrace 4-9480

**WAUKEGAN OFFICE**  
215 W. Water St.  
Waukegan, Ill.  
Delta 6-8822

**JOLIET OFFICE**  
4 E. Clinton - Joliet, Ill.  
Joliet 2-5634

**GARY, IND., OFFICE**  
1228 W. 5th Ave. - Gary, Ind.  
Turner 2-9338

**ELGIN OFFICE**  
100 E. Chicago St. - Elgin, Ill.  
Sherwood 2-2420

**McHENRY OFFICE**  
Box No. 517 - Route No. 6  
McHenry 3216-7

## Service Guide

### O'TOOLE ASSOCIATES

Incorporated  
Management Consultants to  
Insurance Companies  
Established 1945  
220-02 Hempstead Avenue  
QUEENS VILLAGE 29, NEW YORK

### The LAWRENCE WILSON COMPANY

Managing General Agents  
**SURPLUS LINES - All Forms**  
Representing **LLOYD'S, LONDON**  
First National Bank Building  
Tulsa 3, Okla.

### TRANS-CANADA ASSURANCE AGENCIES, INC.

LLOYD'S CORRESPONDENTS  
SPECIAL RISKS—SURPLUS LINES  
REINSURANCE  
1231 Ste. Catherine St., West  
Montreal, Canada

### BOWLES, ANDREWS & TOWNE, Inc.

ACTUARIES  
MANAGEMENT CONSULTANTS  
LIFE—FIRE—CASUALTY  
EMPLOYEE BENEFIT PLANS  
RICHMOND ATLANTA NEW YORK  
PORTLAND

### CONSULTANTS

IN MARKETING AND  
FOR THE MANAGEMENT  
INSURANCE BUSINESS  
**FRANK LANG & ASSOCIATES**  
ONE NORTH LASALLE ST. CHICAGO 2, ILLINOIS  
521 FIFTH AVENUE NEW YORK 17, N.Y.

the times is a good omen. Hard times make hard decisions, but they also make hard decisions easier to arrive at.

Mr. Levit does not think it strange that a business so long unregulated in a relative sense has difficulty, especially psychologically, in adjusting to a suddenly imposed and pervasive control by government. Regulation of insurance is here to stay. But there is yet to be resolved the duality of purpose in regulation. The rate laws face in two opposite directions; their purpose clauses emphasize a broad sphere of regulated cooperative action by those who incline in that direction, and conversely mandate a minimum of this and a maximum of free competition in the anti-trust sense by others whose inclinations and immediate interests lie in that direction.

The major battle of whether the federal or state governments are to regulate insurance is yet to be fought, Mr. Levit believes. The stakes are high, and the business—for itself, its owners, and the public it serves—cannot afford to let the decision rest upon the desires and contentions of public officials or political subdivisions, however well intentioned these may be.

The question, he said, is not whether there will be changes in the regulatory pattern, but whether and to what extent the business will be able to exert an influence on the outcome. To be effective, industry intervention must be realistic and appreciate both public and industry needs. The business must understand that the only tenable middle ground between trust and anti-trust is government regulation. The area of influence lies in the degree of that regulation and in the distribution or placement of it.

### Over Shoulder Looking Continually

Under public law 15 as presently worded federal legislators, bureaus and officials will continually scrutinize state legislative and enforcement patterns and industry activities to see if they conform to an avowed congressional intent to preserve competition. Selling a philosophy of regulation to 49 states is a formidable task, but, he suggested, it may not be love's labor lost.

"Perhaps the customer for the 'hard sell' is on Pennsylvania avenue."

Mr. Levit recalled a time years ago when companies were producing and selling such a variety of fire policy forms that the resulting nonconformities and fine print qualifications led to so much public dissatisfaction that standard policy laws were enacted by the state legislatures.

Will the present plethora of forms and endorsements, which are already bringing about some of the earlier effects, lead to restrictive legislation? The public can hardly be expected to comprehend that an insurance policy is not a gambling contract but rather a social device to indemnify the losses of the few from the premiums paid by the many, when some underwriters themselves act as if this were an outmoded point of view.

### Problems Of Rating Bureaus

The Janus-like aspect of the rate laws under which rating bureaus must operate has raised the basic problem of whether the bureaus can continue to exist financially under partial subscribership and independent filing privileges as interpreted by some recent decisions. Many unresolved difficulties are in the process

(CONTINUED ON PAGE 32)

## Planning Together



**WORCESTER MUTUAL—  
GUARANTEE MUTUAL—**

*Now Under the Same Management*

Building a bigger and better future for agents.

The Guarantee Mutual, licensed in 13 states, operates mainly on the deviating plan . . . while the Worcester, doing business in 32 states, District of Columbia and Puerto Rico, has for 134 years paid substantial dividends to policyholders.

## Worcester Mutual

FIRE INSURANCE CO.

49 Elm Street

Worcester, Massachusetts

## Guarantee Mutual

FIRE INSURANCE CO.

120 West High Street

Springfield, Ohio



## ANCHOR

CASUALTY COMPANY  
SAINT PAUL, MINNESOTA

## Diversification Pays!

### AMMUNITION TO UP YOUR SALES CURVE

Anchor has developed a sound, rule-of-thumb for diversification of business. Why not use it as a guide?

Automobile	45%
Fire and Allied Lines, incl. Misc.	30%
Workmen's Compensation	8%
Gen. Liability & Prop. Damage	8%
Burglary & Glass	3%
Fidelity & Surety	6%

Today's answer to increased income lies in broadening your sales horizon. New—and previously unsold—lines bring new prospects . . . give you an automatic safeguard against increased competition and present markets. You'll find plenty of ammunition in Anchor's multiple line facilities—PLUS its three new packaged coverages: Motel Owner's, Automatic Laundry Owner's and Combination Service Station policy.

SEE YOUR ANCHOR MAN FOR HELPFUL ASSISTANCE

## Current IAC Goals Include Marketing, Building Image Of Business

(CONTINUED FROM PAGE 1)

standing or appreciation of the business.

It may even be true, he continued, that members have been discouraged from seeking these ends. The members, however, may have been too easily dissuaded and may have backed away from the most significant service they can contribute. Mr. Clement asked whether members, in the main, have not devoted themselves to the most

elementary of reasons for their being—the recruiting of agents and the sale of policies—while leaving certain public relations tasks to others. This latter function is one of the vital responsibilities of IAC in his view.

Edmund V. Schenke, advertising manager of Royal-Globe and immediate past president of IAC, was assigned the topic "Why We're No. 1 In Direct Mail." Mr. Schenke, whose com-

pany has won the top IAC award in this category for the past two years, modestly pointed out that each citation was based on the excellence of a single piece of material submitted by his company.

### Describes Department Setup

Most material from competing companies consisted of campaigns and correlated sales pieces which made up

kits in a given line of promotion, Mr. Schenke pointed out. Most of the material in such kits was excellent, but it takes only one or two poor inserts to eliminate the entire content from successful competition. A single piece of material does not have "poor relatives" to support, and perhaps that is why Royal-Globe has taken top honors two years running.

Mr. Schenke said he had no secret formulas for production of direct mail material. To clarify his system of operation, he described the makeup of his advertising department which has 10 in personnel. Two employees create promotional material. One person handles trade paper ads and special assignments; two people handle communications—internal house organs, news releases and other related work. A production man handles all printed matter. He prepares all printing specifications, which must be followed, selects paper and handles all proofs. In addition there is an artist who makes layouts and illustrations for internal publications. He does not do advertising layout or art. A secretary rounds out the department.

Mr. Schenke said that the department handles all matters having to do with advertising and all communications such as the internal house organ, which is published bi-monthly, and a New York office paper published bi-weekly. The department edits and processes all bulletins to the field, handles all subscriptions and book purchases for all offices countrywide, and directly supervises all printed matter pertaining to employee activities and benefits. It also prepares visual aids, graphs and charts for whatever purpose they may be used. There are also special assignments where creative abilities play a part. No advertising agency is used for any of this work. All copy and creative work is done in the department. All artwork is done by an outside art studio.

### No Unnecessary Interference

All advertising work flows through an advertising committee made up of two executives and the advertising manager, Mr. Schenke continued. This committee has full responsibility for all advertising material and administration of the budget. The committee annually reviews all existing advertising material. Each department head is called to take part in the review of material issued for his department, making recommendations for revisions, discontinuance of existing material, or issuance of new pieces. At no time does, or can, the department head or underwriter tell the advertising committee or the advertising department the kind of advertising material it should issue, nor can he change the copy or other advertising elements of the material, except, of course, when copy or illustrations are not in keeping with policy coverage. This yearly review has the advantage of alerting the advertising committee and department to possible changes in coverage which might become effective during the year. Thus work schedules can be initiated accordingly.

In creating Royal-Globe's advertising material, a few concepts are strictly adhered to in order to promote the interest and urge so necessary in creative work. The best way to discourage the urge to create, Mr. Schenke said, is to tell the creator what to do and how to do it. In his shop, once an assignment is given, the person accepting it is strictly on his or her own. He is not instructed nor restricted in copy, illustrations,

## ANNOUNCING

....the combining of

### THE EXCESS REINSURANCE ASSOCIATION

ORGANIZED MARCH 1, 1934

and

### THE CASUALTY REINSURANCE ASSOCIATION OF AMERICA

ORGANIZED NOVEMBER 30, 1949

*to form effective December 31, 1958*

## EXCESS AND CASUALTY REINSURANCE ASSOCIATION

**The Largest and Strongest American Association  
for Multiple Line Reinsurance**

**Membership—Now 44 Insurance and Reinsurance Companies**

- |                     |            |
|---------------------|------------|
| • FIRE-ALLIED LINES | • CASUALTY |
| • AUTOMOBILE        | • FIDELITY |
| • INLAND MARINE     | • SURETY   |

*Underwriting Manager*

### EXCESS AND TREATY MANAGEMENT CORPORATION

99 JOHN STREET, NEW YORK 38, N. Y.



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size, nor fold. People who do this type of work naturally have the desire to create, and their full capabilities to develop material that is different will never emerge if they are too closely instructed on what to produce.

#### Copywriters Get Education

Each copywriter, working on sales pieces for Royal-Globe, is required to read the policy and interpret coverage. The purpose of this is to keep the underwriter out of the picture as much as possible. Also, it helps in slanting the coverage with an appeal which might be better understood by the prospect, simply because the copywriter, being more of a layman than the underwriter, has interpreted the policy in his own words. Of course, such interpretations of policy language must be approved by the underwriters, but it is amazing what interested copywriters with an urge to create can do.

After all the elements for the material have jelled—approach, captions, type of illustrations, copy size, and fold—it is presented to Mr. Schenke for the first time. He reviews it with an open mind and gives the copywriter every reasonable benefit of doubt, except of course where material might conflict with company policy. The job is then processed through art and technical phases to final production—with emphasis on quality and economical processes. All Royal-Globe work is done by photo offset process.

T. Ramsey Taylor, assistant secretary of U.S.F.&G., was assigned the topic of "Selling Advertising To Management." He said this really means correlating advertising with the company function as a whole, and, in particular, assisting those charged with the company's administration in attaining their objectives.

#### No Sale Is Necessary

Mr. Taylor does not think management has to be sold on the advertising function—any more than management has to be sold on communication in general. In insurance more than in any other business, management must deal with ideas expressed in written words. So must advertising.

An important question, Mr. Taylor said, is the extent of the operating area assigned to the advertising function—how much scope, authority, and responsibility advertising is given by management. He feels that, taken as a whole, management recognizes the function of advertising and is using it to carry a greater and greater share of the operating load. The best way to sell advertising to management is to

show how advertising can assist management in administering company operations. Ad managers should become as adept as possible in advertising techniques, should realize their capabilities and limitations, and demonstrate how advertising can be applied so that the company advances toward operating objectives. When this is done, management buys—but is not sold—advertising as an increasingly important and productive function.

Mr. Taylor complimented the trade press for keeping the subject of advertising in proper perspective as compared to other aspects of the business. He included in this plaudit editorials that are critical of insurance advertising. There was a day, he said, when advertising, was not considered important enough to warrant attention in the press. This is not so today, and Mr. Taylor welcomes both praise and criticism.

#### Good Advice For All

Dwight P. Ely, retired sales promotion manager of Ohio Farmers, now associated with Frank E. Kirkpatrick Co., Columbus insurance agency, said he had been invited to give some advice to neophytes but on looking around the room, he saw for the most part his associates of many years. However, on the theory that some beginners were present Mr. Ely offered advice which turned out to be equally valuable for veteran advertising managers.

Mr. Ely's creed is "If you tell 'em, you can sell 'em." There are problems in putting this program into effect. For one thing it must be decided what the American agency system has to offer which can't be offered by any other system. That is complete personal insurance information, in Mr. Ely's view. It can be called personalized protection or policyholder education, but it comes out just the same. People want to know and have a right to know precisely what protection they get for their money—how far it goes and where it stops—how it can be extended through a better choice of policies or an additional endorsement. This service can best be supplied through advertising which is detailed enough to cover the needs of the prospect, which is easy for him to understand and which will attract him.

Mr. Ely said insurance advertising is complex and requires more knowledge, more skill and more ability than commodity advertising because there are so many things to think of. "For example, how many people know that mysterious disappearance is not necessarily included under a theft coverage? But people who thought they

were covered are turned down every day on this kind of claim and it doesn't do the business a bit of good when this happens and insured says "You didn't tell me that."

#### Primary Responsibility

The responsibility of advertising managers is, therefore, to think first of the needs of the customer and second of their own clever sales presentation. Mr. Ely thinks people will read long copy if it's interesting enough, if it tells them what they

want to know, in their own words, with a layout which is easy for them to follow. He thinks pictures are valuable to illustrate copy but are not a substitute for copy if advertisers want the reader to know exactly what the situation is. He asked if anyone had ever tried to draw a picture explaining "negligence," or "agency" or "spouse."

When local agents oppose the use of explanatory copy, it puzzles Mr. Ely because he thinks it is a great advantage to the agent to have folders



LISTEN...

... years are not everything, true. But measuring the success of a business, they can be important. In the case of an insurance company, years can be vital. PLM was founded in 1895, which means that for 63 years we have come through conflagrations, wars and depressions with ample surplus to policyholders always maintained (now \$6,694,585) and with regular dividends to policyholders (none missed, and \$25,703,179 paid to date). We invite you to represent us and will be glad to hear from you.

Writing FIRE and ALLIED LINES  
"In the Birthplace of American Mutual Insurance"

plm

PENNSYLVANIA LUMBERMENS MUTUAL INSURANCE COMPANY

PLM Building • Philadelphia 7, Pa.

Branch Offices in New York, Los Angeles, Charlotte, N.C.

available which give him a complete, concise, accurate diagnosis of coverage—so handy for quick reference—or to show to the customer. This kind of a folder or worksheet is a better sales tool than a rate card or a manual. Mr. Ely cannot understand why the industry gets so far away at times from the obvious maxim that "If you tell 'em, you can sell 'em." He wonders why it does not gear its sales emphasis to this outstanding service principle.

#### TV Titillates Ad Men

Clark W. Smitheman, assistant advertising manager of North America, who is the IAC TV expert because his company has pioneered in this field, modestly said that it has barely stuck its big toe in the TV ocean. He pointed out that North America took a total of 30 minutes in TV spots in 1956, the same in 1957, and 38 minutes this year for a total of 98 minutes. This barely exceeds one spectacular, such as Playhouse 90, but the impact from this advertising has been considerable.

Mr. Smitheman said that perhaps the chief benefit North America has gained from TV is its use as a background for promotion efforts. These include prize contests with awards such as a trip to Disneyland, Cal., for agents conferences, discussions and social affairs. The company may double its TV time in 1959.

Mr. Smitheman introduced Thomas Calhoun, vice-president in charge of

TV for N. W. Ayer, Philadelphia advertising agency which handles North America's account. They presented some of the facts of TV life. For example, \$300,000 will buy about 40 minutes on the Dave Garroway show which North America has used as a vehicle for its one minute spots. This amount would buy about 37 minutes on Jack Paar's show. At this news, the other ad managers looked wistful.

In her discussion of motivation research and insurance buying, Dr. Virginia Miles, vice-president of Market Planning Corp., research division of McCann-Erickson, New York advertising agency, raised the question of what image people have of an insurance company. She asked the ad managers what customers and prospects want the ideal fire and casualty company to be and how individual companies measure up to these ideals. Dr. Miles also wondered to what extent consumers actually select a particular company rather than an agent or a price when they buy insurance. She said that each ad manager may know the answer to these questions, but if not, he ought to.

Dr. Miles pointed out that the company may use fast, efficient claims service as an advertising theme. She wonders if this is really a good motivating factor. It may not be, for perhaps the most obvious points are not necessarily the strongest points to differentiate one company from another. After

all, most consumers have not had the experience of making a fire or casualty claim. Thus, their ideas about speed and service are merely notions or reflections of corporate images. The only way a company can eliminate these "maybes" is to dig out the facts through research. This can be done before or after an ad is run to see which of various approaches best accomplishes desired aims.

#### Asks About Agents

Dr. Miles emphasized questions regarding agents. What influence do they have over the consumer's choice of a company? How do agents look upon the various companies. What is their basis of picking or recommending one company over another? What is the nature of the customer-agent relationship? Does the consumer consider himself a customer of the agent or of the company? Does he have sufficient contact with the company?

Then she delivered her punch line question. Is the agency system the best possible and only system for selling insurance, or are there other ways that should be considered? Dr. Miles had questions about new types of policies, combination coverages and the reactions of consumers to these developments. Do companies make it easy as possible for the customer to buy? What about the small print and difficult language in policies—do these have any effect on the consumer? Do they arouse suspicion, mistrust and a feeling that something is being put over on him? The only way to come up with the answers is sound motivation research, Dr. Miles concluded.

IAC decided to hold its annual meeting in 1959 at the Inn, Williamsburg, Va., June 21-24. As the meeting broke up, some of the departing faithful were hopeful that the geographic and social charms of this site would be more potent in attracting members than a top notch program proved to be at the midyear.

#### Hamil In Education Post

National Union has appointed Robert J. Hamil educational director. He was previously a field man for the company, and prior to that was a fire underwriter for Home and a field man for Standard Accident in Pennsylvania.

#### Chicago Real Estate Board Sets Date For Insurance School

Chicago Real Estate Board's insurance division school in general insurance will begin Jan 12 and run for 18 weekly, two-hour sessions, 3:30 to 5:30 p.m. Paul Hobscheid is chairman of the board's insurance division. Further information may be obtained from the board headquarters, 105 West Madison street.

#### New Orleans Surety Men Elect

Surety Assn. of New Orleans, at its November meeting, elected Joe Hurlbert, Fidelity & Deposit, president; Clarence J. Hogan, America Fore, vice-president; and John A. Lamb, Hartford Accident, secretary-treasurer.

#### DISTRICT CLAIMS MANGER

Live in Minneapolis-St. Paul area, work for a fast-growing, multiple-line company. Minimum requirements—5 years casualty claims adjusting and some management experience. Legal degree preferred. Age 30-45. Top salary plus liberal employee benefits. In reply, give complete (confidential) personal and experience résumé to Box D-67, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

## WANT ADS

Rates—\$22 per inch per insertion—1 inch minimum—sold in units of half-inches. Limit—40 words per inch. Deadline 4 P.M. Friday of week before publication in Chicago office—175 W. Jackson Blvd. Individuals placing ads are requested to make payment in advance.

THE NATIONAL UNDERWRITER

#### OPPORTUNITY CASUALTY INSURANCE UNDERWRITING EXECUTIVE

WELL ESTABLISHED OLD LINE STOCK COMPANY IN NEW YORK CITY WITH HIGHEST STANDARDS OF OPERATION HAS OPENING FOR MAN OF EXECUTIVE CALIBER DESIRING INTERESTING AND CHALLENGING CAREER.

REQUIREMENTS: MUST BE A STUDENT OF THE BUSINESS WITH BROAD INSURANCE BACKGROUND, PREFERABLY UNDERWRITING OR ACTUARIAL. MUST HAVE GOOD JUDGMENT, IMAGINATION AND CREATIVE ABILITY. SHOULD LIKE TO MEET PEOPLE AND CONDUCT NEGOTIATIONS. AGE 40 OR OVER. THE MAN WE ARE LOOKING FOR SHOULD HAVE ALREADY DEMONSTRATED HIS CAPABILITIES AND SHOULD HAVE A MINIMUM OF 15 OR 20 YEARS EXPERIENCE.

SALARY OPEN. LIBERAL ARRANGEMENT FOR RIGHT PERSON. FUNDED PENSION AND OTHER EMPLOYEE BENEFITS.

APPOINTMENT MAY BE MADE THROUGH INTERMEDIARY OF YOUR SELECTION OR YOU MAY REPLY BY LETTER GIVING PERSONAL RESUME. REPLY WILL BE TREATED IN STRICT CONFIDENCE AND APPOINTMENT ARRANGED PROMPTLY. OUR EMPLOYEES KNOW OF THIS ADVERTISEMENT. REPLY TO BOX NY-2, c/o The National Underwriter Co., Adv. Dept., 17 John St., New York 38, N. Y.

#### GIRL FRIDAY: CLEVELAND

Insurance Agency expansion into new office building creates job opportunity for top-notch secretary. Property insurance experience and bookkeeping ability desired. Liberal Salary. Write stating qualifications to: Conway & Conway, 20475 Farnsleigh Road, Shaker Heights 22, Ohio.

Expanding Managing General Agency desires additional Mutual or Deviating Stock Casualty or Multiple Line Company. Tennessee-Kentucky-Indiana area. Complete company control agreeable, as to underwriting. Write Box D-73, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

#### FIRE UNDERWRITER

Excellent growth opportunity with divisional office of a national casualty company expanding into commercial fire field. Opening is for experienced man, age 40, with a sound Fire Underwriting background and ability to activate entire program including initiating departmental training in Fire field. Excellent salary, pleasant living conditions and climate, complete employee benefits program, including Profit Sharing. Relocate Charlotte, N. C. Relocation expenses.

Write in complete confidence to Box D-69, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

#### POSITION WANTED

Attorney Claims Supervisor seeks claim position in Southern United States. Thirty three years old, married, seven years experience as Adjuster, Branch Manager and Supervisor. Have had some private practice experience. Reply Box D-66, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

Casualty Claims position desired in Home Office or Branch Claims Manager. Have effected substantial reduction in loss ratio of serious 81 claims. Legal education. Experience in all lines 18 years. Reply Box D-71, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

#### WANTED EXPERIENCED INSURANCE SECRETARY

Bookkeeping knowledge helpful. Agency located in Union Commerce Building, Cleveland, Ohio. All inquiries confidential. Reply Box D-72, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

#### FOR SALE

Independent Adjusting Company—has served large Illinois community for 20 years. One-man office—excellent opportunity for those qualified. Write Box D-75, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

## Predicts California Agents Will Lose Suit

(CONTINUED FROM PAGE 7)  
of attempted solution. The difficulties are obvious and real; the solutions are more elusive.

It seems clear, he said, that a way will have to be found within the law to compel those companies that want and need bureau services, but only on a partial basis, to pay a full and fair share of the total operating budgets of the bureaus. Those companies who have traditionally supported the bureaus and are continuing to do so, are not going to be willing indefinitely to pay all or even a part of the freight for their competitors. Part of the difficulty here is a free-loader complex on the part of a very few independent filers; and part is the inability of a very few bureau member companies to recognize that the bureaus today are no longer available for rate enforcement purposes, and that partial subscribership rules cannot be used as a rate conformance device in disguise.

How much autonomy in a regional bureau is consistent with underwriting policies that cut across state and regional boundaries? There is no categorical answer, but he suggested that best results for the industry will be obtained by granting to regional organizations the widest possible latitude for decision and policy determination. This is a big country. The insurance industry is a big industry. Over-centralization tends toward bureaucracy, deadens initiative, and is generally productive of a pseudo-efficiency that masks waste.

#### Refutes Old Theory

Speaking of the rise of the direct writer, Mr. Levit said he does not subscribe to the theory that the American public buys the cheapest product regardless of quality. But it seems obvious that, given substantial equality of financial resource, of coverage, and of loss treatment, the insurer with a relatively high production cost will be undersold and will lose desirable business to the competitor whose marketing expense is materially less. An educated public, the agents reply, will recognize the disadvantages of mass marketing techniques when applied to insurance buying. This may be so; or it may be partially so. Only time will tell. Meanwhile, what has happened and what is still happening is enough to give pause to the supporters and the direct beneficiaries of the American agency system, and to induce them to take a tough appraising look at the system and its future.

These days of change and uncertainty will surely give way to more stable and less trying times, Mr. Levit believes. Insurance men in all phases of the industry can and must contribute to the solution. There will have to be careful thinking and planning, for only those with foresight can hope to influence the future. Foresight is not a gift from heaven. It is a product of factual knowledge painstakingly tested by research, sound proposals arrived at by a consensus of the industry's best minds, and a public and political relations program by which these can be effectively promoted.

#### NOSKER EMPLOYMENT AGENCY

Insurance Specialists 34 Years  
California Positions  
Male—Female  
All Lines

610 So. Broadway Los Angeles 14



# Suit

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## Taylor Is Raised To Executive V-P Of Phoenix Of Hartford

Jack D. Taylor has been elected executive vice-president of Phoenix of Hartford and Connecticut Fire. He had been vice-president and treasurer in charge of investments for the companies since 1949.

He joined the group in 1936, became assistant treasurer in 1937 and treasurer in 1939. He is a director of all group companies. Before entering insurance he was with Connecticut Bank & Trust Co.

## Casualty & Surety Club Of N. Y. Holds 50th Year Dinner

NEW YORK—The 50th anniversary dinner here of Casualty & Surety Club of New York was, as is customary, a glittering tuxedo affair, but this year with a gold motif in the decorations at the Waldorf - Astoria to commemorate the occasion.

James M. Henderson of Fidelity & Deposit was elected president to succeed John P. Madigan of General Re. George F. Avery of U.S.F.&G. and Benjamin F. Gates of Hartford Accident were elected vice-presidents, and James M. Grant of Fidelity & Deposit secretary-treasurer.

New members of the executive committee are M. J. Rhew of Royal-Globe, Rankin Martin of Standard Accident, Peter Barr of Ocean Accident, Harry Schmides of American Surety, and Matthew S. Dunne of American.

The grand ballroom of the hotel and the first tier of the balcony were full for the affair, which always attracts a number of out-of-town guests.

## Approves N. A. 10% Deviation In N. C.

Commissioner Gold has approved a 10% deviation by North America on fire and homeowners' policies, but disapproved a similar deviation on extended coverage. His decision came after a hearing of new arguments and new evidence offered by the company. He had refused to allow its deviation last summer.

Although the new deviation is effective Jan. 15, the commissioner said he would postpone the date if either North America or the opposing North Carolina Fire Insurance Rating Bureau asks for a re-hearing.

In connection with this decision, the commissioner referred to another deviation decision he had made in 1956 in which he said a company should be allowed to deviate if through its method of operation it is "able to save in expenses, have a loss ratio below the average of bureau companies, make a reasonable profit and have a policyholders' surplus sufficient to pay losses of a catastrophic nature." North America's latest statistics convinced him the company could meet these criteria for fire and homeowners, but not for EC.

Commissioner Gold based his decision on the fact that for 1953-1957 North America loss experience com-

pared as follows with that of bureau companies: fire—50.6% against 53%; EC—125.3% against 177.3%; combined fire and EC—65.8% against 77%. For January, 1955 through June, 1958, the company had a homeowners loss ratio of 44.9% compared with 49.8% for bureau companies. It had a total expense on fire and EC, excluding loss costs, of 41.6%, and on homeowners 41%.

## Higher Fees For N. Y. Doctors Under WC Law

New York Workmen's Compensation Board has issued a new fee schedule for physicians. Although the new schedule includes more than 1,000 items, the first six, which include general practitioners' fees, comprise 71% of all doctors' fees paid under the WC law and reflect an increase of approximately 30% for those items.

In addition to the increases, the schedule has brought its description of medical services into line with the standard nomenclature of diseases and operations of American Medical Assn. to permit more convenient handling by

## London Lloyds Elects Committee Chairman

London Lloyds has elected Anthony C. Grover chairman of the Committee of Lloyds and Ralph Hiscox deputy chairman. Mr. Grover was formerly deputy chairman, and has been an underwriting member of Lloyds since 1936. He was elected to serve on the committee for four years beginning last January and previously had been on the committee 1953-56. He was deputy chairman and treasurer of Lloyd's Register of Shipping from 1956 until 1958. He remains a member of the general committee of Lloyd's Register.

Mr. Hiscox was elected an annual underwriting member in 1946. He was elected to serve on the committee for four years beginning last January.

The changes, effective May 1, 1959, mark the first general revision of medical fees under WC since 1948, although an increase of 8% was added to the schedule in 1951.

## Charges Capital F.&C. Of Ala. Is Insolvent

Capital Fire & Casualty of Birmingham has been sued in federal court there by P. R. Clark of Pine Bluff, Ark., former vice-president of the firm, who alleges that the company has been insolvent since Aug. 13, 1958, when it sold \$1 million in Miami real estate. A hearing has been set Jan. 10.

James A. Branyon II, company president, said that Mr. Clark had been discharged from management and was now an officer of Jefferson Ins. Co. of Pine Bluff which specializes in the same lines as Capital F.&C.

In his suit, Mr. Clark claims he is the owner of 97,000 shares of Capital F.&C. stock. He is accused of issuing this stock to himself while an officer of the company, without paying for it. Mr. Branyon said a counter suit would be filed to have the stock cancelled.

James Costem, formerly with Alabama insurance department, is secretary of the company, and Rep. Robert Locke of the state legislature is chairman.



John P. Madigan

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## Make Dual Regulation Work, Meyner Advises

(CONTINUED FROM PAGE 10)

you can aid the governing powers in their tasks, you will be performing a service not only to yourselves but to the nation."

Gov. Meyner quoted views of two Columbia University professors long regarded as experts in insurance law, Edwin W. Patterson and Noel T. Dowling. He said Prof. Patterson believes there will be no successful

effort in Congress to enact general supervisory laws over interstate insurance activities unless state supervision proves in many ways and in many instances to be corrupt, ineffective, and controlled by political influences.

### State Rule's Chief Fault

The chief fault of state supervision, as Prof. Patterson sees it, is the ineffective control over domestic companies which by mass advertising or direct mail victimize the residents of other states. Prolonged public irrita-

tion over such evils may lead to federal supervision.

Second, Prof. Patterson believes there will be some federal supervision of the insurance business which will be compatible with, and will not supersede, general state supervision. Federal power may be extended to those situations in which a state cannot effectively suppress an evil or protect its citizens.

Gov. Meyner quoted the following statement: "The honest and competent insurance organizations, especially the ones that have built up the incomparably excellent insurance facilities that we now have, are mistaken in their efforts to protect all insurers from federal regulation under all circumstances. They would be better advised to seek the most effective combination of federal and state regulation that will best protect the interests of the insuring public."

## WIIS To Enter Eight More Western States

Western Insurance Information Service is expanding its operations into eight more western states. WIIS, now operating in California, Oregon and Washington, has entered Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming. No new offices or additional personnel are being contemplated at this time. Speaking engagements and news releases will be handled through steering committees and speakers bureaus enlisted from member companies.

The annual meeting of Western Conference of Special Risk Underwriters has been scheduled for Jan. 9 at Chicago.

## Tierney In Information Post For Conn. Agents

Connecticut Assn. of Insurance Agents has engaged John W. Tierney of Hartford as public relations counsel. His duties will include handling all publicity for the association, furthering its legislative program, and assisting in the formation and management of a speakers' bureau.

Mr. Tierney was previously public relations secretary for U. S. Senator Purtell and before that, public relations aid to former Gov. Lodge and assistant publicity manager for Travelers.

Nelson I. Beers, association president, has appointed the following committee chairmen: conference—Eben Learned Jr., Norwich; education—E. S. Cowles III, Hartford; finance—Mr. Learned; legislation—Herbert B. Bland, Hartford; local boards—John P. Bassett, Bridgeport; public relations—James W. Harding, Stamford; rules, rates, forms & coverages—Elizabeth Walters Jr., Stamford.

## Cleveland Surety Assn. Elects Soeder President

Andrew Soeder, Fidelity & Deposit has been elected president of Surety Assn. of Cleveland. Others elected were E. O. Platell, American Surety, vice-president; James S. McClelland, Fidelity & Casualty, secretary, and Jack Gibb, Aetna Casualty, treasurer.

## To Supervise Pa. Agencies

Joseph F. Fitzsimmons has been appointed agency supervisor for Pennsylvania by Beacon Mutual Indemnity. He will cover this territory from Scranton.

## "Our GENERAL franchise is a most valuable asset."

... says Ted Cogswell of Great Falls, Montana



Ted Cogswell, owner of the Cogswell Insurance Agency, is a strong believer in the axiom, "get there firstest with the mostest," and here he explains how the GENERAL, LIFE CO and SAFECO help:

"Keeping abreast with the times is a 'must,' and to do so it is necessary to have streamlined, flexible insurance plans available for our clients.

"GENERAL OF AMERICA, SAFECO and LIFE CO provide us with these tools. Our nineteen years' association with GENERAL have been most satisfactory. This fine company, along with many other aids through the years, has put us in a position to compete with the ever-growing competition from direct writers."

Ted Cogswell, ever a believer in practicing what he preaches, uses his private airplane to cover his huge sales area in Montana.

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# Two Form Excess & Casualty Re Assn.

(CONTINUED FROM PAGE 1)

Insurance contracts for individual classes such as fire, automobile, casualty, surety, and other lines.

## Immediate Plans

For the present, members of Excess & Casualty Reinsurance Assn. will participate in one or more of three syndicates. Syndicate A will provide reinsurance for casualty business, syndicate B for fidelity and surety, and syndicate C for all other classes except life and A&S. Syndicate C will cover casualty insurance to the extent written under multiple peril policies and endorsements attached to standard fire policies.

The association will operate under a constitution providing for shares in each syndicate with a fixed limit of liability per share. The number of shares may be increased as new members join the association or as original and future members desire to increase their participation in one or more syndicates. The constitution further provides for a rotating, 12 member, executive committee which will decide matters of general policy and act in the capacity of a governing body.

## Growth Of Firms

Excess Reinsurance Assn. was organized in 1934 with a membership of five companies. It presently has 35 companies. It has provided, for stock companies, admitted reinsurance on an excess of loss and participating basis for fire and allied lines, inland marine and automobile business.

Casualty Reinsurance Assn. of America was formed in 1949 with a membership of 18 companies which has increased to 31, most of which are also members of Excess Reinsurance Assn. It has provided for stock companies, admitted reinsurance for casualty and fidelity business, both

on an excess of loss and participating basis, and for surety business on a participating basis.

Premium writings for the two associations in 1958 will approximate \$50 million. With the increase in capacity from the combination of the associations, and the enlarged membership, a growth in writings is anticipated.

## Leslie Gives Premo Facts On Auto Rates

(CONTINUED FROM PAGE 1)

the companies were amazed at the commissioner's "first glance" opinion that the proposed liability rate increase appears to be excessive. Mr. Leslie said the companies are confident that when the commissioner and his staff have made a full study of the situation they will find the new rates are fully justified.

## Point Out Losses

He pointed out that National Bureau companies lost \$7,109,667 in Connecticut in 1957, \$3,243,811 in 1956 and \$2,569,061 in 1955. He noted that BI claim frequency in the state had risen from 3.3 per hundred insured cars in 1955 to 3.6 in 1956 and to 4.2 in 1957. Claim costs in those years have averaged in excess of \$1,025. The property damage record is worse. For two straight years, 10 out of every 100 cars have been the subject of claims. The cost of settling these claims averaged \$150 and is rising.

Mr. Leslie was even more concerned with the commissioner's views on rating areas and methods. He said geographic lines separating rating areas determine high insurance cost areas and low ones. Simple justice indicates that the toll of high cost areas should not be levied on their lower cost neighbors any more than high cost community expenses should be imposed in taxes on more frugally operated towns.

## Says Charge Was Erroneous

Mr. Leslie said the commissioner was mistaken in his charge that the rating system penalizes the careful driver and favors the accident prone. He said the present system of distributing insurance costs according to the accident and cost experience of differing areas and according to the established hazards of differing types of drivers is sound. It has been developed over a period of 50 years under supervision of the commissioners in all the states. To abandon it would be to penalize the majority of car owners.

Connecticut law allows Mr. Premo 15 days, plus an extension of equal length at his request, to accept the rate schedule, refrain from action or to reject it. Adequate reasons for his action must support a rejection.

## Blue Shield Plans Endorse AMA Low Rate Coverage Proposal For Over Age 65

Blue Shield medical care plans will implement the recent proposal of American Medical Assn., which calls for development of medical care coverage at lower premium rates for senior citizens, according to a statement by Dr. Donald Stubbs, chairman of Blue Shield plans.

The AMA proposal calls for a program under which physicians would accept a level of fees related to the modest income of persons over age 65.

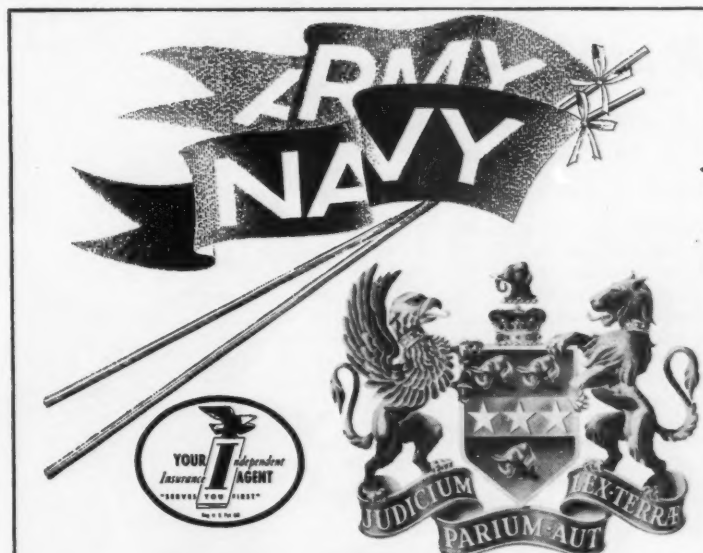
Dr. Stubbs said that each of the 64 Blue Shield plans in the country will be asked to go to work immediately with local medical groups to draft benefit schedules and rates for coverage that local doctors feel will be necessary to meet the needs of those over 65.

Racine (Wis.) Assn. of Insurance Agents has elected Warren David president; P. J. McCrory, vice-president, and Robert Johnson, secretary-treasurer.

## Griffis Succeeds Sweet At Western Companies

V. A. Griffis has been named vice-president of Western Casualty & Surety and Western Fire to succeed Vice-president W. P. Sweet, who is retiring at year-end.

Mr. Sweet went with Western in 1932 and had a major role in developing the claims department facilities. Before that he was with Globe Indemnity, Norwith Union, Phoenix Indemnity and General C&S.



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